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COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

(With Additional, Supplemental, and Minority Views)

ON THE

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2010

SUBMITTED PURSUANT TO SECTION 301(d) OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

ONE HUNDRED ELEVENTH CONGRESS
FIRST SESSION

MAY 2009

VIEWS AND ESTIMATES OF COMMITTEES OF THE HOUSE

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March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are including below the recommendations of the Committee on Agriculture with respect to programs within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2010 budget cycle.

The Committee's legislative agenda and budget considerations for the upcoming year are very much colored by the fact that that we are just nine months beyond enactment of the Food, Conservation, and Energy Act (FCEA) of 2008—a time period which is just half the eighteen months it took to fund and develop the Act. Some programs whose regulations have been delayed are not even operating yet.

Final passage of the FCEA was supported by over 1,000 organizations from across the policy spectrum. Substantial bi-partisan majorities in both the House (317-109) and the Senate (80-14) supported passage.

One reason for these substantial majorities for the FCEA was that the Agriculture (and other) Committees worked very hard to ensure that any increases in spending above baseline levels were offset with reductions elsewhere. As scored by the Congressional Budget Office against the official scoring baseline, the final bill saved $67 million over five years and $110 million over ten years.

The current economic crisis is making benefits provided by the FCEA increasingly essential to many families' existence. The number of Supplemental Nutrition Assistance Program (SNAP—formerly the Food Stamp Program) recipients just hit a record high of 31.8 million in December, 2008 (the latest data available). Producers in both the crop and livestock sectors have seen prices decline dramatically from last summer's record high levels. In many cases, production costs that also hit record high levels last summer have not declined as much as prices—setting up a classic cost-price squeeze.

Given these political and economic realities, the Committee believes that program benefits of the FCEA should be maintained so that families facing adverse economic conditions—many through no fault of their own—can be helped as intended. We believe that it would be unwise to reopen the FCEA to reduce program benefits—especially through proposals similar to those that, during the FCEA debate, were considered and rejected.

Though the 5-year farm bill was enacted just last year, enactment was later than normal. Following the traditional farm bill cycle, the Committee expects to begin hearings during this Congress in preparation for drafting the next farm bill. The 2012 bill will be here sooner than many realize. Changes in program benefits can—and should—wait until then.

Our position regarding changes in program benefits does not mean that the Committee should do nothing to further capture economies and efficiencies in delivering benefits. Doing so is an important aspect of reducing waste in government spending.

In order to reduce waste and promote program efficiency, modernization of the Farm Service Agency (FSA) computer system is essential. The FSA relies on one of the oldest technology infrastructures within the Department of Agriculture (and, arguably, some of the oldest in the Federal Government). The aging technology infrastructure and equipment at FSA create inefficiencies and threaten the delivery of fundamental services to producers. The FSA computer system is used to administer 35 benefit programs which deliver approximately $15 to $25 billion per year to farmers and ranchers. The programs include 12 Production and Emergency Disaster Programs, 10 Conservation / Environmental Programs, 9 Price Support Programs, and 4 Compliance/ Reporting Functions. The Agriculture Appropriations Subcommittee is pursuing the funding needed to solve this critical issue and we will continue to work together with them.

On February 12, 2009, the Committee ordered reported H.R. 977, The Derivatives Markets Transparency and Accountability Act of 2009. The bill's amendments to the Commodity Exchange Act are designed to promote fair and transparent derivatives markets, and to give Federal regulators effective tools to guard against fraud and manipulation. If enacted, H.R. 977 should improve oversight and enforcement mechanisms that should help forestall future needs to interject massive taxpayer resources into rescuing financial institutions.

In these tough economic times it is critically important to identify waste, fraud, and abuse in government programs. Doing so is important to the nation's hard-working taxpayers who deserve value and efficiency. Every dollar of waste, fraud, and abuse identified and eliminated will help our short- and long-term deficit and debt problems.

The Committee will soon begin hearings on waste, fraud, and abuse in programs under our jurisdiction. The Committee has long viewed eliminating waste, fraud, and abuse in government programs as a critical aspect of our oversight responsibilities.

That is why when problems have been identified, we have moved quickly to address them through legislation, when needed, or by working with Administration officials to make changes in rules and regulations. The Committee's commitment to correcting problems is confirmed by our record. Here are a few examples:

The FCEA of 2008 provided a permanent, mandatory funding stream to ensure the continuation of a very successful data mining project that has identified schemes and devices used by some agents, adjusters, and producers to defraud the Federal crop insurance program. In prior acts, the Congress limited double insurance on the same acres in the same season and required that social security or tax identification numbers be used to track producers who previously would switch agents or companies for fraudulent activities.

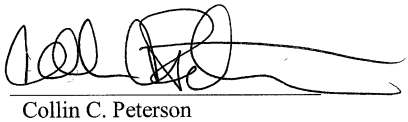
Fraud in both the commodity programs and crop insurance has been reduced by a statutory requirement that producer information be reconciled between the Farm Service Agency's commodity programs and the Risk Management Agency's crop insurance programs.

Trafficking in SNAP benefits (formerly food stamps) has been reduced substantially by requirements that EBT (electronic benefit transfer) cards be used to deliver benefits. The Committee has also legislated policies that tighten program administration to ensure that certain classes of ineligible persons (such as prisoners) do not receive SNAP benefits.

The Committee hopes that these new oversight hearings will, as have past hearings, help identify needed legislative and/or administrative remedies that will help programs under our jurisdiction operate more efficiently and effectively.

In closing, the Committee on Agriculture is mindful of the many challenges that the Committee on the Budget faces in developing the Budget Resolution for FY 2010. Given current economic conditions, doing so clearly represents a daunting task. We are grateful for your consideration of the views we have presented and look forward to providing assistance in preparation of a responsible budget resolution.

Sincerely,



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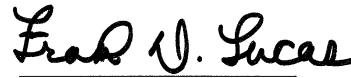

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March 13, 2009

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, we are forwarding to you our views regarding the national defense budget function for Fiscal Year 2010.

On February 26, 2009, the President submitted to the Congress an outline of the FY 2010 budget request. The budget outline focuses on policies and programs designed primarily to deal with an economic crisis not seen in this country since the Great Depression. While many of the proposed policies and programs are beyond our purview, the committee notes that our national security depends in large part on economic prosperity both at home and abroad, and it is imperative that we get our economy back on track. It is also imperative that we maintain a strong national defense. We must do both.

The President's FY 2010 budget outline requests $533.7 billion for the Department of Defense's base budget. In discussing the request, Secretary Gates observed that the Department's base budget top-line is "more than $20 billion over last year's Defense appropriation [and] in our country's current economic circumstances ... represents a strong commitment to our security." He further observed that having settled on a top-line, the Department is in the process of determining the details, to include "efforts to realize cost efficiencies, reassess all weapons programs, especially those with serious execution issues, and rebalance investments between current and future capabilities." The President's budget outline also requests $75.5 billion in supplemental funding for 2009 and $130.0 billion for 2010 to support the ongoing wars in Iraq and Afghanistan.

The committee looks forward to reviewing all the programmatic details when they become available. In the absence of these details but in review of this preliminary submission, the committee believes the budget request is the minimum necessary to support both our core national security requirements and on-going military operations. The committee supports war

time supplemental funding that provides the resources necessary for American servicemembers fighting in Iraq and Afghanistan. The committee notes plans for the President's budget to incorporate into the base budget many items previously funded in emergency supplementals, such as medical services, family support initiatives, security assistance to foreign governments, and enhancements to intelligence, surveillance, and reconnaissance. The committee supports efforts to fold foreseeable war-time costs into the baseline budget, but urges a recognition that these war costs are in addition to core national security requirements that reside in the base budget. The budget outline suggests a balance between ensuring our forces have what they need to protect this nation and a commitment both to fiscal responsibility in challenging economic times and to weeding out waste wherever possible.

Within this funding request, the committee wishes to highlight several concerns.

Personnel

For a decade now, the Congress has provided an additional pay raise, on average 0.5 percent above the level of private sector pay raises as measured by the Employment Cost Index (ECI). Now more than ever, as we ask those who wear the uniform of this country to defend the freedoms that all Americans enjoy, we must continue to eliminate the gap between the military and private sector pay raise levels. This year, an additional pay increase of 0.5 percent would bring the across-the-board pay raise for fiscal year 2010 to 3.4 percent at a cost of $340 million in fiscal year 2010. The allocation of this amount will allow the committee to continue to reduce the pay gap in a systematic and structured way.

The committee believes that the amended budget request will again assume over $1 billion in savings within the health care budget, based on recommendations from a previous Department of Defense Task Force which focused on the future of military health care. The Department's savings are generated from increases in enrollment and deductibles within the TRICARE health program, including the pharmaceutical program. For the past three fiscal years, the Congress has prohibited the proposed fee increases from being implemented, due to concerns that such significant fee increases would adversely affect many military families and recently retired personnel, including those significantly wounded. However, forcing the military health care system to absorb the projected savings without a fee increase was just not an acceptable option as it could result in military treatment facilities within the direct care system being forced to close while men and women in uniform are on the front lines and their families are sacrificing here at home. The committee will need additional discretionary and mandatory spending to prohibit the fee increases that we expect will be proposed by the Department of Defense.

Mandatory Funding

Last year, the committee began an effort to address the growing health care costs and its impact on the Department through the establishment of several preventive health care programs that seek to improve the health of our beneficiary population and, hopefully, to reduce long-term

catastrophic health care costs. Unfortunately, the committee was unable to generate any budgetary savings because of the scoring analysis from the Congressional Budget Office. This year, the committee finds itself in an untenable position. The Congressional Budget Office has indicated that continued prohibition of pharmacy benefit fee increases will generate mandatory scoring that the committee will be unable to fulfill without significantly reducing the military retirement benefit or the health care benefits for beneficiaries under the TRICARE for Life program. However, even if the committee were to consider a moderate fee increase, we may potentially be required to find mandatory offsets because, as the Congressional Budget Office has indicated, "federal tax revenues would decrease somewhat ...which would yield a shift in compensation from taxable wages to non-taxable fringe benefits." Thus, the committee will need the support and assistance of the Budget Committee to ensure that we are able to move forward this year to address health care costs in a prudent and responsible manner that will protect our beneficiaries and allow the Department to continue to provide quality health care services to our service members, retirees and their families.

The committee is pleased with the President's concurrent receipt proposal for our disabled retirees. The committee looks forward to working with the Budget Committee to ensure that the appropriate mandatory funding is provided to the 050 budget to ensure that this legislative proposal can be successfully initiated. The committee continued its efforts over the past several years to adopt program changes that have benefited service members, their families and survivors. Last year, we were fortunate to find additional direct spending within our allocation to move forward incrementally on a number of very important programs, to include expanding the eligibility for special survivor indemnity allowance to spouses whose member died on active duty and enhancing retirement programs for certain reserve and warrant officers, as well as certain military technicians. However, as always, there is more that needs to be done. For example, improving education programs for those serving in the Selected Reserve, eliminating the offset for survivors who are entitled to both Survivor Benefit Program, and Dependent and Indemnity Compensation, and improving reserve component retirement and health care, remain committee objectives. These are just a few of the programs that cannot be addressed because they require additional mandatory spending that is not available to the committee.

In order to move forward in a systematic way to address these many important programs, the committee again respectfully requests an increase to the Armed Services Committee's allocation for mandatory spending so that we can begin to fully resolve these matters, implement the President's concurrent receipt proposal and continue to protect our beneficiaries from exorbitant health care fees.

Readiness

With respect to readiness, the committee notes that continuous combat operations over the past seven and one-half years, with repeated deployments and limited dwell times, have stretched our forces and consumed readiness just as quickly as it is obtained. As we wind down the war in Iraq and ramp up our efforts in Afghanistan, the Department faces huge reset costs

associated with moving troops and materiel, repairing and replacing worn out equipment, and re-orienting our training programs so to assure that our troops can function in a full-spectrum environment. The committee believes it is critical to the nation's security that our readiness levels be improved and that sufficient investments be made to ensure this.

Acquisition Programs

Very little is known regarding the priorities of the new Administration and, with a pending Quadrennial Defense Review, an updated National Military Strategy, and a Nuclear Posture Review, it is difficult to know what is the proper funding level for acquisition programs.

With respect to the Army, we expect a major restructuring of the Future Combat Systems program and major costs associated with resetting the force returning from Iraq. With respect to the Air Force, the committee has major concerns with the F-22 and C-17 programs, among others. The committee notes that in the recent past, all of the military services have asserted that the National Military Strategy creates requirements for some systems, such as the Air Force's F-22 and C-17, that not only have not been adequately funded but have not been funded at all, having been deferred to the new Administration. Recent base budget requests have not adequately funded programs of record and deferred making decisions on important questions. The committee will need to examine carefully these investment priorities in light of the Administration's strategy and enduring national security interests. The Air Force's first acquisition priority -- recapitalization of its airborne tanker fleet -- has yet to be initiated because of failure in the service's acquisition system. To ultimately get this program on contract may require significantly increased funding over the anticipated budget request in order to support a competitive engineering and manufacturing development program.

With respect to ballistic missile defense programs, the committee believes it is important that we prioritize near-term systems and capabilities designed to protect the United States, its deployed forces, and friends and allies consistent with the committee's position captured in section 223 of the John Warner National Defense Authorization Act for Fiscal Year 2007. Similarly, as the Department of Defense continues to emphasize a greater focus on nuclear weapons and materials security and accountability, the nation is also moving toward a new nuclear posture, built on a reduced nuclear arsenal that is safe, secure, and reliable. In this environment, the committee believes the budget must include robust funding for the science-based Stockpile Stewardship Program, including sustained human capital and a refurbished infrastructure.

With respect to the Navy, the committee expects significant changes to the Navy's 30-year shipbuilding plan. The program of record for ship acquisition is unaffordable and the force mix of vessels proposed is being revised to counter emerging threats. The Navy must also address a projected shortage in strike fighter aircraft into the middle of the next decade. Finally, the committee has concerns regarding the increased developmental costs for the Marine Corps Expeditionary Fighting Vehicle, which resulted in a Nunn-McCurdy cost breach. A similar breach has been experienced by the VH-71 Presidential Helicopter program. As part of the

Nunn-McCurdy process, the White House will be required to re-validate the requirements for this platform, which could result in additional technical, cost, and schedule changes.

The committee understands that the Department of Defense is currently trying to make the best decisions on these important programs and will closely review them when it receives the detailed budget request.

Waste, Fraud, Abuse, and Improving Governmental Performance

The committee recognizes the requirement pursuant to section 321 of the FY 2009 budget resolution that requires recommendations for rooting out waste, fraud, and abuse, and improving governmental performance. The committee notes that during 2008 it held numerous oversight hearings focused on identifying areas vulnerable to waste, fraud, abuse and mismanagement.

Where appropriate, the committee develops legislation to improve government performance. Every year, the committee makes adjustments in authorization levels for specific procurement and research and development programs to ensure the Administration's budget request is stripped of wasteful spending. In addition, the committee has annually enacted legislation to improve defense contracting. For example, the National Defense Authorization Act for 2009 included the "Clean Contracting Act of 2008." The Clean Contracting Act of 2008, among other provisions, extended the authority previously granted to the Department of Defense in 2007 to obtain additional pricing information on commercial services contracts to all federal agencies, placed limits on the length of sole-source contracts entered into on the basis of urgent and compelling need, extended a limitation on the issuance of sole-source task and delivery order contracts that previously applied to the Department of Defense to all federal agencies, required a review of the application of the cost accounting standards to overseas contracts, and established a database for federal contracting officers containing information on the legal history and the performance of contractors relevant to evaluating past performance prior to issuing new contracts. The committee will continue its efforts to develop recommendations for improving government performance and, where appropriate, will develop legislation. The committee is also establishing a Panel on Defense Acquisition Reform to comprehensively identify the root causes of acquisition failures and recommend further changes to improve acquisition processes. The committee expects that such efforts, when properly implemented, will reduce wasteful spending by the agencies within its jurisdiction.

Finally, the committee wishes to note that our national security depends not only on a strong military but also on robust diplomatic capabilities and foreign assistance programs. The U.S. international affairs budget and programs in the Department of Energy's National Nuclear Security Administration support programs that can potentially prevent crises requiring the deployment of U.S. troops, and, in the event of their deployment, can reduce the stress on U.S. troops. While the budget submitted on February 26 does not include detailed information necessary to permit a committee evaluation, it does call for increased funding for foreign assistance, expanded diplomatic and development operations, and reinvigorated efforts on counter-proliferation, terrorism and transnational crime. The committee recognizes the

importance of these non-military activities to our national security and looks forward to fully evaluating their contributions when the details are presented to Congress.

We appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to meet volatile and emerging threats and secure our national defense.

Very truly yours,

IKE SKELTON
Chairman

JOHN M. McHUGH
Ranking Member

cc: The Honorable Paul Ryan

IS/JM:rp

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ERIN C CONATON, STAFF DIRECTOR

March 12, 2009

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, we are writing to provide additional perspectives on the views and estimates of the Committee on Armed Services with regard to the fiscal year 2010 funding allocations for the Defense Authorization bill. While many of the proposed policies in the budget proposal aim at getting our economy back on track, we write to emphasize the imperative of maintaining a strong national defense. We believe our long term domestic economic health relies upon sustaining our national defense requirements. We also support war time supplemental funding that provides the resources necessary to hold our gains in Iraq and deliver the capability required to win in Afghanistan

The President's FY 2010 budget outline requests $533.7 billion for the Department of Defense's base budget. While some have suggested that this budget will increase spending by 4% over the 2009 budget, real growth in defense spending is but 1.7%. If the supplemental is included, the growth in spending is some 1.4%. This is because next year's supplemental is lower than the planned total of supplemental expenditures in FY 2009. These figures represent a sharp drop in the growth of annual defense spending over the past eight years, which averaged 4.3%. This is why Defense Secretary Robert Gates greeted the budget release by announcing he would have to make some "tough choices." We are greatly concerned about this marked decline in defense spending.

A concomitant concern relates to plans for the President's budget to incorporate into the base budget items previously funded in supplemental, such as medical services, family support initiatives, security assistance to foreign governments, and enhancements to intelligence, surveillance, and reconnaissance. While we support efforts to fold foreseeable war-time costs into the baseline budget, we urge you to provide for a commensurate increase in the underlying base budget.

The story is bleaker in future years when the real costs of our baseline defense requirements will no longer be masked by supplemental appropriations. Take the growth of the military, for example. Supplemental funding bought the Army and Marine Corps more than 50,000 active duty personnel from 2001 through 2008. The price tag was roughly $6.8 billion in additional, basic defense costs. Future defense budgets will have to absorb these costs. We've learned from Iraq and Afghanistan that planning for two major regional contingencies requires a larger military. Decreasing the size of the military should not be an option - we owe this to our military families. We urge you against providing a budget which will force the Congress to choose between reducing end strength and cutting defense programs, particularly in essential modernization accounts.

We caution against a budget that promotes fiscal restraint for defense at a time when this year's total discretionary spending will surpass the $1 trillion mark. We note that the stimulus bill, expanded Troubled Asset Relief Program funding, and the omnibus appropriations bill have cost more than Iraq, Afghanistan and Katrina combined.

We appreciate the opportunity to express these additional views. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to resource the wars in Iraq and Afghanistan and sustain our national defense requirements.

Sincerely,

JOHN M. McHUGH
Ranking Member

cc: The Honorable Paul Ryan

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U.S. House of Representatives

Washington, DC 20515–6035

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ERIN C CONATON, STAFF DIRECTOR

March 13, 2009

The Honorable John Spratt
Chairman
House Committee on the Budget

The Honorable Paul Ryan
Ranking Republican
House Committee on the Budget

Dear Chairman Spratt and Representative Ryan:

We write to provide additional perspectives on the views and estimates of the Committee on Armed Services with regard to the fiscal year 2010 funding allocations for the Defense Authorization bill.

This Congress and the President have moved rapidly to commit thousands of billions of dollars in an attempt to rescue the American economy. We are concerned, however, that in the aggressive effort to achieve that end and to simultaneously restore fiscal accountability, we run the risk of subordinating defense requirements to rescuing the economy. In our view, there is no higher national priority than maintaining a strong national defense. The needs of our economic priorities and our national defense requirements must not be forced to compete for funding and resourcing. We must do both and should not shrink from allocating additional resources for the defense of our nation and the welfare of the men and women who serve in it.

As Members of the Military Personnel Subcommittee, our comments will focus on measures needed to sustain the all-volunteer active and reserve components, to provide for their families, and to ensure that the honorable service and sacrifices made by military retirees and widows are not diminished by Congressional action or inaction.

Therefore, we urge the Budget Committee to support the committee's request for allocations for an enhanced raise of 3.4 per cent in military basic pay and for the President's proposal to provide concurrent receipt of military disability retired pay and disability payments by the Veterans Administration.

With regard to any Administration or Congressional proposal to increase health care costs for Department of Defense beneficiaries, we say this: Provide the committee the necessary allocation to reject any and all such proposals. Now is not the time to raise health care costs;

economic hardships are hitting military personnel and retirees just as hard as other Americans. Furthermore, at a time when the Administration is beginning to talk about making health care affordable to all Americans and possibly free for many, raising health care costs for military retirees, who have earned the right to health care, would be unjust and inexplicable.

America's National Guard and reserves have become an operational force that repeatedly answered the call to service in wartime over the last eight years. Committee action last year provided credit towards early retirement for those who deployed to current and future contingencies. Unfortunately, due to a lack of any allocation for this requirement in the budget resolution, the current law denies such early retirement credit to all those who faithfully served in contingencies since September 11, 2001. We need to correct this injustice. We urge the Budget Committee to provide an allocation to do that. Furthermore, based on discussions with the reserve component chiefs, we believe additional measures are necessary to entice National Guard and reserve personnel to serve beyond 20 years. To that end, we request that the committee allocation also provide the mandatory and discretionary funding to permit early retirement credit for any member of the reserve components who serves in a contingency on or after achieving 20 years' service.

Military widows suffer an unfair and economically devastating tax because they are forced to forfeit their Survivor Benefit Plan (SBP) payments in order to receive Dependency and Indemnity Compensation (DIC). That offset costs widows, on average, $1,000 a month. To the credit of the Committee on Armed Services, we have instituted a small, temporary stipend that will eventually pay widows $100 per month to help ameliorate the financial hardship created by this so called widow's tax. That pittance is not sufficient. We need the Budget Committee's support and allocation now to authorize the receipt of both the full SBP and DIC.

In establishing the authority for reserve component members to begin receiving a retirement annuity before age 60, the Congress specifically denied these retirees access to the Department of Defense health care system. Lack of a funding allocation in the budget resolution was the primary reason for the denial. We request that the budget resolution's funding allocation provide the ability for the committee to extend eligibility for the full range of TRICARE benefits to reserve component members who retire before age 60 and are drawing military retired pay. This is the same benefit provided to active duty retirees. We should do no less for reserve component retirees who have served extensive time on active duty during war.

Finally, we urge the Budget Committee to refrain from its past practice of establishing so-called reserve funds for various high priority initiatives for which the Budget Resolution failed to provide funding allocations, unless the language actually gives the Budget Committee chairman the authority to reapportion allocations. The previous language establishing these reserve funds appeared to give the Budget Committee Chairman such authority. However, the truth of the matter was that the reserve funds provided no reserve at all. According to the Budget Committee's interpretation of the language, the Budget Committee chairman could support projects as long as the committee proposing the initiative provided the mandatory spending offsets from within its own jurisdiction to fund the initiative. That requirement is no different from regular order. As a result, the reserve fund authority was deceptive, illusory and ineffective.

Thank you for considering these proposals and we strongly urge their adoption as part of the defense funding allocations reported out by the Budget Committee. We would be happy to discuss them further with you if you desire.

Sincerely,

Joe Wilson
Ranking Republican
Military Personnel Subcommittee

Walter B. Jones
Member of Congress

John Kline
Member of Congress

Mary Fallin
Member of Congress

John Fleming, M.D.
Member of Congress

Thomas J. Rooney
Member of Congress

Congress of the United States

Washington, DC 20515

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman,

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, We are forwarding you our additional views to those submitted by the House Committee on Armed Services regarding the national defense budget function for fiscal year 2010.

We share the committee's belief in the imperative that the United States, and America's interests, must remain protected by a strong national defense. Unfortunately, in the absence of specific budget details from the Department of Defense, it is difficult to assess whether the Administration's defense budget request is appropriately shaped and sized to meet this imperative. However, we have learned sufficient details about the request to offer one specific concern.

Under your leadership, the House Committee on the Budget has taken a strong position against wasteful government spending. In House Report 110-69, the committee report accompanying the Concurrent Resolution on the Budget for Fiscal Year 2008, the committee recognized "the need for DOD to root out wasteful sending with far more diligence."

In the Concurrent Resolution on the Budget for Fiscal Year 2009, the House Budget Committee called for "a reallocation of resources to address the most severe threats facing the nation, to emphasize readiness, to guarantee first-rate health care for members of our armed forces, and to improve the quality of life of our troops and their families," reemphasized the importance of rooting out wasteful spending, and highlighted "the need for DOD to do a better job of reconciling its plans with its budget, including the Navy's shipbuilding plan… that is not viable in terms of providing the Navy with an adequate ship force…"

While we may differ on the spending levels that we believe necessary to fully fund our nation's defense needs, or on specific priorities within the defense budget, we agree with the importance of rooting out wasteful spending and wish to emphasize our concerns with the apparent disconnect between DOD requirements, plans, and budgets. Indeed, we fully expect this disconnect to manifest itself in the form of one particularly wasteful item expected to appear in the defense budget request for fiscal year 2010 – initial funding for a project anticipated to cost approximately three-quarters of a billion dollars to expand the Navy's infrastructure at Naval Station Mayport, Florida, to accommodate a nuclear aircraft carrier.

The Navy has attempted to justify this project by claiming a desire to "hedge against a catastrophic event in Hampton Roads," which is the only east coast port capable of homeporting a nuclear carrier. This is a remarkable statement, considering that: (1) the Navy has never had – and has never needed – more than one port on the east coast capable of homeporting a nuclear carrier, despite having a nuclear carrier fleet since 1960; (2) a single east coast nuclear carrier

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port has been sufficient for the Navy throughout four decades of the Cold War, the Vietnam War, and eight years of the post-9/11 Global War on Terror; and (3) the Navy has not conducted a meaningful assessment of the need to "hedge against a catastrophic event" in the region.

Despite these facts, and the substantial costs, the Navy has failed to justify the expenditure of hundreds of millions of taxpayer dollars to make Mayport a nuclear carrier port. Instead, the Navy has effectively proposed to expand its inventory of infrastructure, even while it works to fulfill its 2005 Base Realignment and Closure mandates to reduce its inventory by closing bases such as Naval Station Ingleside, Texas and Naval Station Pascagoula, Mississippi.

In October 2005, after the House affirmed the 2005 base realignment and closure list, you noted, "We've been through this process four times before, and I hope that this round will be the last for a long time to come." We share in your hope that another round of base closures will not be necessary, but unnecessary Department of Defense actions to expand infrastructure capacity at locations like Naval Station Mayport are the surest path to needing another BRAC round that reconciles infrastructure with force structure.

The Navy's proposal is even more astounding when considering recent reports that the fiscal year 2010 budget may force the Navy to cut its carrier fleet to 10 ships. Such reports indicate significant turmoil in the service's force planning construct, making any decision to expand infrastructure to accommodate forces that may not exist in the near future premature. Further, many analysts consider the Navy's shipbuilding plan to be highly unrealistic, and the service has admitted a substantial gap between its planned fighter aircraft inventory and its actual needs. As such, we must conclude that the Navy has once again failed to reconcile its requirements with its budgets.

We note that last year's budget resolution included a policy statement that savings resulting from cuts to missile defense programs, reductions in research, development, and procurement programs, and termination of weapons geared towards meeting Cold War-era threats should be used to meet higher priority needs, such as readiness and military pay and benefits. We expect that you will agree that the expenditure of taxpayer dollars to unnecessarily expand Navy infrastructure would be better applied to meeting military readiness requirements, closing the Navy's strike fighter shortfall, building additional ships for the fleet, and improving the quality of life for our military personnel.

If the committee intends to include such a policy statement in this year's budget resolution, we urge that wasteful funding for the expansion of Mayport be included as a program that should be terminated in order to resource higher priority needs of the Department of Defense.

Sincerely,

J. Randy Forbes
Member of Congress

Glenn C Nye
Member of Congress

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March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
209 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Spratt:

Pursuant to section 301 (d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), enclosed please find the FY 2010 Views and Estimates for the Committee on Education and Labor. If you have any questions, please feel free to contact me at your convenience.

Sincerely,

George Miller

GEORGE MILLER
Chairman

Views and Estimates for FY 2010
Committee on Education and Labor
111th Congress, 1st Session
March 13, 2009

During the 110th Congress, the Committee on Education and Labor pursued legislation and oversight activities to grow and strengthen America's middle class families. The Committee fought to preserve workers' wages and benefits, enhance early childhood education and provided the single largest increase in college aid since the GI bill. The Committee held 115 hearings, heard testimony from 696 witnesses, reported 26 bills out of Committee and championed 13 bills in the Committee's jurisdiction that became law. Members of the Committee remain committed to ensuring that the work in the first session of the 111th Congress builds upon the foundation laid in the 110th Congress.

During the 111th Congress, the Committee will continue to work on behalf of American middle class workers, students and families. The Committee's leadership in spearheading key education and labor provisions in the American Recovery and Reinvestment Act (ARRA) resulted in increased resources for education and job training. The ARRA provides targeted investments in education that are critical to job creation, and will provide America's children with the skills they need to compete globally. The ARRA will help put our economy back on the road to recovery with a $105.9 billion investment to help build the world-class education system our economy needs and our children deserve. This historic investment in education is the largest increase in federal education funds in history. The legislation nearly doubles Title I and IDEA funding, invests in our schools by expanding cutting-edge technology, modernizes our schools and universities while creating green jobs and prepares qualified individuals to enter the teaching profession. It also invests in our youngest children's education, through increases in funding to Early Head Start and Head Start. Additionally, the ARRA provides temporary assistance to unemployed workers to enable them to maintain their health insurance benefits and includes a key stimulative provision requiring prevailing wages be paid to workers on the projects it funds or assists.

In addition to the ARRA, President Obama has already signed the Lily Ledbetter Fair Pay Act, which was developed by the Committee in the last Congress. This new law restores workers' rights to effectively pursue pay discrimination claims. In good times or bad, no family can afford to have a breadwinner earn less merely because of her gender or the color of his skin.

During the first session of the 111th Congress, the Committee will continue to pursue an ambitious education and workforce agenda focused on enhancing opportunities for middle class American families, including the consideration of proposals outlined in the President's budget. The Committee will work to advance initiatives to develop early education opportunities to improve public schools, make college more affordable, and provide better and higher-paying employment opportunities and health care and retirement security. The Committee looks forward to working with the Obama

Administration to provide the resources needed to meet the education, training and employment needs of Americans.

EDUCATION PRIORITIES

Elementary and Secondary Education

The No Child Left Behind Act (NCLB)
During the 111th Congress, the Committee will build on the progress made during the 110th Congress toward reauthorization of the Elementary and Secondary Education Act/No Child Left Behind Act (NCLB). A key priority for the Committee is to continue progress toward closing the achievement gap. In order to reach this goal, it is necessary to narrow the teacher quality gap and the school funding gap to ensure schools receive the resources they need to provide every child with a quality education. The Committee remains focused on addressing concerns with current law including ensuring the law is fair, flexible, and funded. Other priorities include: continuing to hold schools accountable for the progress of all students, reforming high schools, supporting teachers and principals, and encouraging a rich and challenging learning environment and promoting innovation taking place in schools throughout the country.

Title I
The ARRA provides $13 billion for Title I grants for disadvantaged students. This historic investment nearly doubles Title I funding making this the largest funding increase in the history of the program. During the 111th Congress, the Committee looks forward to working with the Obama Administration on reauthorization efforts. The Committee will build on previous efforts to close the achievement gap and help all children learn by holding states and schools accountable for student academic progress.

The Individuals with Disabilities Education Act (IDEA)
The Committee remains committed to meeting the educational needs of children with disabilities. The Individuals with Disabilities Education Act (IDEA) requires schools to provide students with disabilities a free and appropriate public education, and authorizes funding for the expenses related to providing services and support to these students. The ARRA provides $11.3 billion for IDEA Part B Grants, the largest single increase in IDEA support ever provided by the federal government. These funds will allow districts to improve services and retain teachers and staff critical to helping students with disabilities achieve academic success. The ARRA funds increase the federal investment in IDEA from the current level of 17.2 percent of the excess costs of educating students with disabilities to 26.3 percent.

During the 111th Congress, the Committee will continue to advance the federal investment in the education of children with disabilities. The Committee will work to ensure schools have the adequate resources to support the free appropriate public education guaranteed by IDEA to children with disabilities.

Postsecondary Education

The increasing cost of obtaining a postsecondary education continues to be a major concern for the Committee. In the past few years, the weakened economy and federal budget cuts have shifted the burden of higher tuition prices to college students and their families. The average tuition and fees at four-year public colleges and universities have risen 18.5 percent, when adjusted for inflation, over the last five years. The typical student now graduates with $17,500 in total federal student loan debt. According to past estimates from the Department of Education, as many as 200,000 prospective students are forced to delay attending, or to forgo attending college altogether, due to the cost. Building on the success of the 110th Congress with the passage of the Higher Education Opportunity Act, the College Cost Reduction and Access Act, and the Ensuring Continued Access to Student Loans Act, the Committee on Education and Labor will continue to work to increase access to postsecondary education for more students and to ensure education is affordable.

Reform of the Federal Student Aid System

During the 110th Congress, the Committee spearheaded efforts to increase efficiencies and to ensure that federal student loans remained available to all qualified students, despite the crisis in the credit market. The credit crisis has impacted private lenders participating in the Federal student loan programs, making it more difficult for them to raise capital to originate student loans. Today, more than half of the student loans originated today are funded through financing provided by the U.S. Department of Education or its Direct Loan program. The worsening economic situation and its impact on student loan lenders makes clear that reform of our student loan programs is necessary.

The President's budget put forth a proposal to save taxpayers almost $50 billion within the higher education programs while increasing benefits for students and ensuring a more stable loan program for America's students. The Committee intends to review this proposal and work with the Administration to increase efficiency for students and taxpayers while providing certainty that federal student loans will remain available regardless.

Pell Grants

Pell Grants remain a top priority for the Committee. The Pell Grant program serves as the foundation for securing the federal goal of equal access to postsecondary education for all qualified students. Each year, more than 7 million students receive a Federal Pell Grant bringing them one step closer to achieving their educational goals. The College Cost Reduction and Access Act provided mandatory funding to increase the maximum Pell Grant award above discretionary funding by over $1,000 by the year 2012. Together with the Obama Administration, the Committee is dedicated to maintaining the Pell Grant increase to $5,550 established in the Recovery Act. Additionally, the Committee will work with the Administration to create future safeguards to protect families against the rising costs of higher education, especially students from low income families.

Minority-Serving Institutions, GEAR-Up, TRIO, and students with disabilities

The Committee also believes we need to provide additional funding for minority-serving institutions as well as GEAR-Up, TRIO, and programs for students with disabilities. These programs provide much needed access to students from traditionally underserved populations – expanding and enhancing the programs is of critical importance. It is the Committee's intent that these programs, including the new programs authorized under Part A of Title III, section 355 (YES Partnership Grants) of the Higher Education Act as well as the development of programs to improve higher education opportunities for students with disabilities, remain major forces in increasing access to postsecondary education in the coming years. With that intent in mind, the Committee included mandatory funding for minority-serving institutions in the College Cost Reduction and Access Act to supplement existing funding, not to supplant funding. The Committee believes that discretionary funding should continue for these institutions in addition to the mandatory funding expected in the coming year.

Additionally, the Committee supports additional discretionary funding for the graduate programs at minority-serving institutions, as authorized under Titles VII and V of the Higher Education Opportunity Act. With respect to the programs under Title VII for HBCU and PBI masters programs, the Committee supports the appropriations authorized under section 725 be divided to represent the proportionate number of eligible institutions in sections 723 and 724 to the total number of eligible institutions in subpart 4. When originally authorizing this program, the Committee intended this proportionate funding to ensure that similar levels of funding are provided to the Historically Black Colleges and Universities (HBCU) Masters program and the PBI (Predominantly Black Institutions) Masters program based on the total number of eligible institutions identified in section 723 (b) and 724 (b). For example, if eighteen institutions are eligible for the HBCU Masters program and five institutions are eligible for the PBI Masters program, the Committee intended for the HBCU Masters program to receive 78 percent of the funding and for the PBI masters program to receive 22 percent of the funding. This approach provides the most equitable divisions of appropriations with each program receiving proportionally the same amount of money per institution and encourages the stakeholders to work together to secure resources.

Other Programs

The Committee also supports efforts to provide additional funding to institutions, with infrastructure and general support, including through the Minority Serving Institution Digital and Wireless Technology Opportunity Program and the Education Disaster and Emergency Relief Loan program, as included in the Higher Education Opportunity Act. Institutions of higher education are additionally facing increasing challenges with the return of individuals from active duty service. With this in mind, the Committee supports funding for the Centers of Excellence for Veteran Student Success.

Campus-Based Aid

The Committee believes that funding for programs at the campus level is important to ensure that students continue to receive the necessary financial support to remain in school. Perkins College Loans, Work-Study, and Supplemental Educational Opportunity Grants (SEOG), have all functioned in this capacity to provide support to students. The

Committee believes these programs should remain viable in order for them to continue to support student access to higher education. Additionally, the Committee will work with the Administration to modernize the Perkins loan program as outlined in the budget.

Innovation – Competes Act
Building on the work of the 110th Congress, the Committee will continue its focus to encourage the study, improvement, and upgrade of successful innovations in education. With the support signaled by commitments from the Obama Administrations 2010 budget proposal, the Committee will continue to encourage further development of innovative education and teacher development programs.

EARLY EDUCATION

Head Start has been the premier early education program in this country for more than 40 years, serving more than 20 million children and families in that time. Its goal is to help children from very low-income families reach kindergarten ready to succeed. Head Start is a significant part of this country's effort to combat the effects of poverty and ensure all of our children have the opportunity and skills they need to thrive. The ARRA makes critical investments in early education by providing $2.1 billion for Head Start and Early Head Start, which provides comprehensive childhood development services for low-income preschool children, infants and toddlers. This funding will expand early education opportunities for an additional 124,000 children and create 50,000 early education jobs. In addition, the ARRA provides $900 million for IDEA early childhood services for preschool children, infants, and toddlers with disabilities.

Through hearings and legislative mark-ups during the 110th Congress, the Committee focused on early childhood as a key time to support children and families. Sixty percent of children under age six spend significant time in child care settings. Yet there is a severe shortage of affordable high-quality child care in this country, and families must struggle to find and afford good care.

Research on early childhood and brain development concludes that the first years of life have a strong and lasting impact on children's future growth. With science telling us that early childhood experiences influence the very architecture and chemistry of a developing brain, the Committee believes it is essential that we integrate this knowledge into the work we do. A dollar spent on a child's future is a dollar invested, not a dollar consumed. That's because fully nurturing, educating, and supporting young children reaps dramatic benefits as they grow up. Therefore, the Committee intends to examine policies that will support healthy early development so that children are more likely to become engaged members of our society and productive participants in our economy. During the 111th Congress, the Committee looks forward to working with the Obama Administration to increase access to high quality early childhood education throughout the United States.

CHILD NUTRITION

The Committee is dedicated to ensuring that all children have access to nutritious school meals and that income-eligible children receive these meals at low or no cost. During the first session of the 111th Congress, the Committee will examine issues to be addressed in the reauthorization of the Child Nutrition Act, including improvements in eligibility processes, enhanced nutrition standards, providing school breakfast to more children, and holistic approaches to reduce childhood obesity. The current reimbursement rate for school lunch is $2.57; other than inflationary adjustments, the school lunch program has not seen an increase for over three decades. The President's proposed budget will allow for a substantial improvement in the reimbursement rate for school meals, and the Committee looks forward to working with the administration to ensure that children have access to healthy, affordable meals consistent with current science.

JUVENILE JUSTICE

During the first session of the 111th Congress, the Committee will work to secure adequate funding for our nation's juvenile justice programs. The Office of Juvenile Justice and Delinquency Prevention (OJJDP) oversees, evaluates, and monitors juvenile justice throughout the country. OJJDP grant programs help reduce gang activity, assist victims of child abuse and support community-based delinquency prevention.

CHILD ABUSE PREVENTION AND TREATMENT ACT

Investigations conducted by the Government Accountability Office during the 110th Congress at the request of the Committee uncovered thousands of cases and allegations of child abuse and neglect since the early 1990's at teen residential programs, including therapeutic boarding schools, boot camps, wilderness programs and behavior modification facilities. Currently, these programs are governed only by a weak patchwork of state and federal standards. A separate GAO report, also conducted last year at the Committee's request, found major gaps in the licensing and oversight of residential programs – some of which are not covered by any state licensing standards at all. On February 23, 2009 the Committee's Stop Child Abuse in Residential Programs for Teens Act won strong bipartisan support in the House with a vote of 295 to 102. The bill will help to safeguard teens from abuse and require covered programs to keep parents informed.

NATIONAL SERVICE

Americans' interest in volunteering is at an all time high. In 2008, over 61 million adults volunteered. From 2002 to 2007, the number of volunteers across the country grew by more than a million, according to a report by the Corporation for National and Community Service. Despite these growth trends, it's been over fifteen years since Congress last reauthorized the nation's bedrock service and volunteer programs. The Committee's last action on national service took place last year. H.R. 5563, the Generations Invigorating Volunteerism and Education (GIVE) Act was reported out of Committee last summer with an overwhelming bipartisan vote of 44-0. Unfortunately,

with a 2/3rds majority required for a suspension vote, the bill came up just short of the votes required for passage during House floor action.

The first Full Committee hearing held in the first session of the 111th Congress focused on strengthening national service opportunities. The service hearing came a day after President Obama made national and community service a key part of his agenda during his first address to a joint session of Congress by urging Congress to act quickly to bolster service and volunteer programs. The President's Recovery package invests $200 million to create more opportunities for more Americans of all generations to serve in their communities. In addition, the President's 2010 budget proposal would create 175,000 new service opportunities for Americans, expanding ways for retirees to give back to their communities, and integrating service in schools. This blueprint rightly recognizes that we can make Americans a part of the solution to the enormous challenges facing our country by harnessing their skills, experience, hope and desire to serve.

The Committee joins President Obama in making service a key part of reviving and rebuilding our country. The Committee is committed to strengthening national service programs for generations to come, and will continue its efforts to secure reauthorization of this key legislation during the 111th Congress.

LABOR PRIORITIES

During the first session of the 111th Congress, the Committee will continue to: promote workers' rights; improve workplace safety; conduct oversight on the enforcement of labor laws that are already on the books; help workers balance the demands of work and family; and look for ways to make health care affordable and accessible for everyone. The Committee wants to ensure that individuals have employment opportunities that are safe and provide a fair and just wage, and can adequately plan for their retirement.

The Right to Organize and Collectively Bargain
The Committee will continue to focus on protecting workers' rights to organize and collectively bargain. The current system by which workers may organize a union under the National Labor Relations Act is broken. Workers' inability to exercise their bargaining power has resulted in stagnant wages, widening inequality, and a middle class that is less secure and less accessible. Last Congress, the House passed the Employee Free Choice Act to address weaknesses in federal labor law and restore the right of workers to organize. In the 111th Congress, the Committee will continue to press for enactment of these and other critical labor law reforms to ensure a fair and sustainable economic recovery.

Job Training
Economists agree that a key to jumpstarting our economy is job creation. Earlier this month major U.S. corporations announced another 75,000 in job cuts, adding to the 2.6 million jobs our economy has lost in the last year. The ARRA will start rebuilding our

economy immediately by creating or saving 3 to 4 million jobs – including hundreds of thousands of jobs in the education sector – and provide workers with the training and skills they need to succeed in green and other high growth industries. Specifically, the ARRA provides over $4 billion to prepare adult, youth and dislocated workers for green jobs, and other high demand industries. In addition, with youth unemployment at record high levels, the ARRA includes $1.2 billion to create job opportunities for younger Americans, including summer jobs. Now more than ever, the nation's job training programs must be improved to give workers the skills and training they will need as the economy starts to recover. During the first session of the 111th Congress, the Committee will work toward reauthorizing the Workforce Investment Act.

Guestworker Programs
During the first session of the 111th Congress, the Committee will continue to conduct oversight to encourage the Department to protect the rights of both U.S. workers and foreign workers in temporary guest worker programs with histories of abuse, like H-2A and H-2B. In addition, the Committee will review the Department of Labor's regulations that would drastically lower wage rates and minimum housing standards for foreign guestworkers, as well as allow employers to hire foreign workers without having to first recruit U.S. workers in any meaningful way and without meaningful government oversight.

International Labor
As the American economy has become more globalized and the United States has entered into more multilateral and bilateral trade agreements, the labor standards of other countries have an increasingly direct impact on American workers. The Department of Labor's performance in meeting its obligations to protect U.S. labor standards, as it is tasked via statute and trade agreements, is in dire need of review and oversight. During the 111th Congress, the Committee will work to ensure that the Department's oversight and activities in this area are adequately funded and staffed in order to effectively carry out the Bureau's mission.

Employment Standards – Wage and Hour Protection
Seventy years after passage of the Fair Labor Standards Act, wage theft remains a disturbing and unacceptable problem in the U.S. – workers not being paid their wages, not being paid overtime pay, or otherwise being misclassified by their employers as exempt from coverage under the Act. The Committee remains committed to ensuring that there is a greater emphasis on effective enforcement of the law at the Department's Wage and Hour Division, which includes a commitment to adequate funding and staffing of investigators and other enforcement staff in the field. Other offices within the Employment Standards Administration, such as the Office of Federal Contractor Compliance Programs, are of similar concern.

Family and Medical Leave Act
Working families face enormous challenges especially in a weak economy. In most families two breadwinners are needed to make ends meet. However, without job protections or income support, an illness or family emergency can destroy a family's

ability to survive. Over fifteen years ago, Congress enacted the Family and Medical Leave Act (FMLA) to enable workers to take unpaid leave upon the birth or adoption of a child or in cases of a serious health condition. Over 50 million workers have used FMLA, but the FMLA does not cover all workers or address all family needs. Numerous proposals have been introduced in Congress to provide additional needed protection to working families, including paid sick days, paid family leave, expanded FMLA, etc. The Committee intends to consider legislative proposals that improve the job security and productivity of working families.

Mine Safety and Health Administration (MSHA)
The Committee believes funding for this agency should be increased on an annual basis by the Congress to ensure it could perform all of the mandatory inspections required by law. Last year, the Committee expressed concern that MSHA funds may be inadequate to perform other critical duties, in particular reviewing critical mine operator roof control plans. The Committee is currently investigating whether MSHA failures in this regard played a significant role in the August 2007 disaster at the Crandall Canyon mine in Utah. The Committee also expressed concern about the ability of MSHA to complete rulemaking in a timely fashion. The Committee reiterates that MSHA performs critical duties that go beyond mandatory inspections, and urges that the budget and appropriations adequately reflect these needs.

Occupational Safety and Health
OSHA's mission, as defined in its authorizing legislation, is to assure so to the extent possible, every working man and women in the nation have safe and healthful working conditions. This program is particularly important for immigrant workers who suffer a high number of injuries and fatalities. During the first session of the 111th Congress, the Committee will continue to work towards ensuring the Department improves workplace safety and health through compliance assistance and enforcement of occupational safety and health regulations and standards.

National Institute for Occupational Safety and Health (NIOSH)
This agency performs critical scientific and technical research for both MSHA and OSHA. While the agency has received funding boosts specifically in connection with activities associated with the development of new mining technologies mandated by the MINER Act of 2006, critical parts of this work remain in need of continued funding, in particular work to develop improved electronic communication and tracking systems for underground mines. The Committee believes renewed attention must be given to restoring funding for the development and updating of recommended exposure limits by NIOSH. While some private sector organizations do such work, none has as much credibility as those put out by a Federal agency. The S-MINER Act passed by the House of Representatives would give added status to such recommendations in MSHA rulemaking.

Employment Standards Administration – Office of Labor-Management Standards
Under the Bush Administration, the Department of Labor repeatedly shifted scarce budget requests from other labor programs, such as health and safety and wage and hour

enforcement, to the Office of Labor-Management Standards, which collects, publishes, audits, and investigates labor union finances. Additionally, regulatory changes by the Department of Labor regarding labor union financial reporting and disclosure requirements have dramatically increased the accounting and paperwork burden on labor unions. During the first session of the 111th Congress, the Committee will work to ensure resources benefit workers' welfare and effectively serve the purpose of the Labor Management Reporting and Disclosure Act.

Employee Benefit Security Administration (EBSA)
More than 17 million Americans depend on employer-provided benefits for their health care and retirement security. These two key areas – health care and retirement – are undergoing rapid change. The Committee believes that EBSA needs to do more to protect workers' benefit promises. The Congress must begin to grapple with our growing health care crisis and protect workers' retirement security. Last year, the Committee passed legislation to protect workers' genetic information from employer and health plan discrimination and to expand access to mental health benefits. During the first session of the 111th Congress, the Committee intends to remain active on preserving health care and retirement security.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (EEOC)

The Equal Employment Opportunity Commission (EEOC) plays a critical role in promoting equal opportunity in the workplace and enforcing federal laws prohibiting employment discrimination. The Committee remains concerned about persistent reports of case backlogs that leave workers vulnerable to discrimination. The Committee believes the federal response to workplace discrimination should be timely and effective, and the EEOC budget and the use of its budget should be designed to accomplish that goal.

NATIONAL LABOR RELATIONS BOARD

The National Labor Relations Board administers federal labor law for much of the private sector, including enforcing employees' fundamental human rights to organize and collectively bargain. The Committee is concerned that the underlying National Labor Relations Act, already unacceptably weak in the face of modern union-busting tactics, is vulnerable to further weakening by any Board not committed to the Act's mission. The previous Bush Board took advantage of this vulnerability, and American workers suffered as a result. In numerous decisions, the Bush Board dramatically decreased the Act's coverage, and overturned longstanding precedent to eliminate workers' rights and grant employers new powers in fighting organizing drives. Rationales for these rulings feature inconsistencies that render them transparently results-oriented. Additionally, the Committee is concerned about the Board's commitment to maintaining an experienced and well-trained staff. During the first session of the 111th Congress, the Committee will continue its oversight of this critical agency and its approach to carrying out its responsibilities, which include ensuring that the Act is a viable and relevant mechanism for enforcing workers' rights in a changing 21st Century economy.

CONCLUSION

Members of the Committee on Education and Labor are committed to working closely with the Obama Administration and the Budget Committee to ensure that the FY 2010 budget process provides our country with a fiscally responsible blueprint that will put us back on the path towards adequately funding our nation's education and workforce demands.

Republican Views and Estimates for FY 2010
Committee on Education and Labor
111th Congress, 1st Session
March 13, 2009

The beginning of each new budget cycle is a reminder that the first responsibility of policymakers in allocating the federal budget is to act as good stewards of taxpayers' hard-earned dollars. At no time in recent memory has that principle borne more importance than it does today. America is in the midst of an economic crisis the likes of which we have not seen in decades. Every decision must be undertaken and understood within this context, including the budgetary and policy decisions that impact America's educational system, our workforce, and our retirement system.

Republican members of the Education and Labor Committee support effective investments in programs that ensure every child in America is afforded the highest quality education and that every worker is free to pursue the American Dream. In a time of ongoing war and nearly unprecedented worldwide economic insecurity we believe fiscal responsibility is of the utmost importance, adding urgency to the call for the reduction of wasteful government spending, unnecessary new programs, and bureaucratic federal mandates.

President Obama has put forward a blueprint for the FY 2010 fiscal year that raises serious questions about our shared commitment to fiscal responsibility. Republicans are particularly troubled by what appears to be a pattern of greater government involvement fueled by higher taxes and deeper deficits. At a time when middle class families are fearful of losing their jobs and their homes, Congress should focus on pro-growth policies that foster innovation and job creation, promote American competitiveness, and enhance economic freedom. We must also be mindful that the debts we incur today will be paid for by future generations. For that reason, it is particularly important that we weigh any benefits of new and expanded federal spending against the heavy long-term costs that such spending would impose on our children, grandchildren, and great-grandchildren.

The Committee on Education and Labor oversees programs that impact Americans of every age and economic level. Committee Republicans recognize that education and workforce policies are intricately linked, with both playing a pivotal role in our nation's ability to compete on the international stage. We are focused on strengthening American competitiveness both at home and abroad and preparing America's workers for the challenges of a 21st century economy. The American education system can become more competitive by adhering to the principles of accountability, state and local flexibility, parental choice, and funding for what works. The American workforce can become more competitive and more productive by promoting education and job training for high-demand fields, cutting red tape, breaking down barriers between business and education, and helping build a workforce for the future. We encourage our Democratic colleagues to pursue an agenda focused on these priorities.

EDUCATION PRIORITIES

Republicans will continue to advance fiscally responsible reforms in the Committee on Education and Labor to improve educational opportunities from elementary and secondary education through higher education and beyond. With a bold vision for education reform, we have worked to close the achievement gaps in our nation's schools for all students, expand state and local flexibility, empower parents with educational choices, hold programs and schools accountable for increasing student academic performance, and keep college affordable. In a changing marketplace increasingly driven by technology, competition, and knowledge, Republicans are working to build on vital reforms that were set in motion during the past decade -- pressing for constant improvement in education and modernization of outdated federal rules that stifle freedom and innovation. Committee Republicans respectfully offer the following recommendations to the House Budget Committee for its consideration during the FY 2010 budget deliberations.

Strengthening K-12 Education through Accountability and Parental Empowerment

Reforming Elementary and Secondary Education

The Elementary and Secondary Education Act (ESEA) – last reauthorized as the No Child Left Behind Act (NCLB) – supports the efforts of states and school districts in narrowing the academic achievement gap between disadvantaged students and their peers. Republicans support reform and renewal of this law, and believe it will be most effective as a means to improve educational opportunities for disadvantaged children while maintaining the autonomy and authority of local communities. Consistent with that viewpoint, we are committed to the law's unprecedented opportunities for parental empowerment, giving parents, especially those with children in schools not making adequate yearly progress toward academic achievement, more choices to move their students to higher performing elementary and secondary schools. We have also supported, and continue to support, giving state and local officials additional flexibility to help them tailor programs to better meet their students' unique needs and priorities.

As the 111th Congress gears up to reauthorize the ESEA, Republicans will work to ensure that we hold states, schools, and school districts accountable for increasing student achievement and ensuring that students are able to read and perform math skills upon graduation from high school. We will push for policies that put parents in the primary role of decision making when it comes to their child's education, including giving parents the option and the resources to send their sons or daughters to better performing schools. We will also call for continued growth of successful charter schools and the freedom to home school. Republicans will also introduce and support legislation to give states and school districts greater flexibility in how they spend federal funds to allow them to better and more accurately target what students need to achieve. We will support reducing the massive amount of paperwork that it currently takes to comply with federal education mandates and reduce the regulatory burden imposed on state and local officials to help them focus on preparing students for success.

Continuing the Successful DC Opportunity Scholarship Program

Republicans remain strongly committed to giving families more educational choices and believe that parents should be able to choose to send their children to higher performing public or private schools if the school they are enrolled in fails to provide a quality education. Empowering parents with greater school choice is a key component in the fight to ensure students are receiving a quality education. During the recent campaign, the President spoke eloquently about the issue of parental empowerment in education, saying that he believes we should:

"...foster competition within the public school system. Let's make sure that charter schools are up and running. Let's make sure that kids who are in failing schools, in local school districts, have an option to go to schools that are doing well."

On potential school choice legislation, he stated:

"If there was any argument for vouchers, it was, 'Let's see if it works.' And if it does, whatever my preconception, you do what's best for kids."

It is for this reason that Republicans are dismayed that the new Administration has remained on the sidelines when it comes to preserving the successful D.C. Opportunity Scholarship program that was first implemented in the District of Columbia in 2004. This groundbreaking program has helped thousands of low-income students attend the school of their choice. Republicans remain committed to funding and supporting this successful program. Under the program, low-income families are provided scholarships of up to $7,500 per student per school year so that they may attend a participating nonpublic elementary or secondary school in the District of Columbia. The program currently assists more than 1,700 students, whose families have an average annual income around $22,736, attend high quality schools. Without this innovative program, these students would be forced to attend public schools, many of which are have deemed to be in need of improvement under the requirements of the No Child Left Behind law. The success of the program is also demonstrated in the overwhelming demand: the waiting list to obtain a scholarship is over 7,000 children.

Unfortunately, the FY 2009 Omnibus Appropriations bill includes language added by Senator Dick Durban (D-IL) that effectively phases out this successful choice program by requiring both the U.S. Congress and the D.C. City Council to take steps to authorize the program before any funds can be used for scholarships after the upcoming school year. The *Washington Post* recently described the provision this way: "It is a seemingly innocuous requirement. In truth it is an ill-disguised bid to kill a program that gives some poor parents a choice regarding where their children go to school." Republicans are committed to reauthorizing the D.C. Opportunity Scholarship program and hope that the Administration and congressional Democrats will join us in providing parents in the District of Columbia with the opportunity to choose a public or private school that best meets the needs of their children. We also urge the Administration and the House Budget

Committee to fully fund the D.C. Opportunity Scholarship program and to repeal the Durban language inserted in the FY 2009 Omnibus Appropriations bill.

Maintaining Support for the Teacher Incentive Fund

Committee Republicans strongly support rewarding teachers who excel at educating America's students. Research has shown demonstrated improvements in student achievement for those schools that have been able to implement performance pay mechanisms. Expanding successful programs such as the Teacher Incentive Fund will provide even more school districts with the opportunity to implement innovative compensation systems that improve student performance. The Teacher Incentive Fund is helping to break down the status quo and make it clear that Americans value teachers and principals who are working to improve student achievement. This program encourages states and school districts to develop and implement innovative ways to provide financial incentives for teachers and principals who raise student achievement and close the achievement gap in our nation's high need schools. The Teacher Incentive Fund was first funded at $99 million in FY 2006 and received $97.3 million in FY 2008. It is set to remain funded at this level in the FY 2009 omnibus bill.

Republicans were encouraged to see that the President's FY 2010 budget proposal called for additional accountability for teachers and principals. We were also encouraged by the proposal to reward high quality teachers with performance pay. We urge the House Budget Committee to build on the foundation of the last several years and call for a strong investment of at least $200 million in funding for the Teacher Incentive Fund.

Restoring Funding For the Reading First Program

Republicans strongly support funding for the Reading First program, which focuses on implementing proven methods of early reading instruction in classrooms. Through Reading First, states and districts receive support to apply scientifically based reading research — and the proven instructional and assessment tools consistent with this research — to ensure that all children learn to read on grade level by the end of third grade. Results from the program are clear. Nationally, the percentage of third graders in Reading First schools scoring proficient on state reading assessments has grown nearly eight percent, much faster than overall growth. In addition, state-reported performance data released last year indicates impressive gains in reading comprehension, with improvements seen by nearly every grade and subgroup of students. Twenty-eight of 37 states that reported data experienced an increase in the percentage of students proficient in reading comprehension. Recent reports by the U.S. Government Accountability Office (GAO), the Inspector General, and the Center on Education Policy have all found widespread support for the program among the states. In one Center on Education Policy report, 97 percent of Reading First school districts said that the program was an important or very important cause for increases in students' reading scores.

Unfortunately, congressional Democrats have targeted the program for elimination because of a series of reports from the Department of Education's Inspector General in

late 2006 and early 2007 documenting management errors by the Department in the early implementation of the program. Republicans believe that program mismanagement and misuse of taxpayer dollars is unacceptable, and that's why we acted swiftly to correct these deficiencies and ensure the program would continue to serve students. In fact, it has been more than two years since the Department implemented all of the Inspector General's recommendations for improving oversight of the program; actions that the Inspector General has stated addressed his concerns. Yet despite the clear efforts to reform the program's management, Democrats continue to point to mismanagement as the reason they have defunded the program.

Democrats also point to the findings included in the "Reading First Impact Study: Final Report" conducted by the Institute for Education Sciences (IES) as their reasoning for eliminating the program. While the study did find that Reading First had limited effect on reading comprehension among participating first, second, and third graders, the report also found that the program helped students acquire decoding skills (identifying letters and words) and produced positive and statistically significant impacts on the amount of instruction time spent on the five essential components of reading instruction promoted by the program, including professional development in scientifically based reading instruction (SBRI), support from full-time reading coaches, amount of reading instruction, and supports available for struggling readers.

Republicans believe that Reading First is working in states and schools all around the country. We urge the Administration and the House Budget Committee to restore the previous $1 billion funding level for the Reading First program so that disadvantaged students and students with disabilities receive the tools that they need to be able to read and succeed in middle and high school.

Expanding College Access, Ensuring the Integrity of Federal Financial Aid

Retaining the Federal Family Education Loan (FFEL) Program

Committee Republicans are deeply troubled by the proposal included in the President's FY 2010 budget to eliminate the Federal Family Loan (FFEL) program. The FFEL program, in existence for more than four decades, has a strong record of making students' dreams of a college education possible. The program provides approximately $60 billion in federal student loans to students attending over 4,400 institutions each year. Eliminating this public-private partnership now will cost the country more than 30,000 current jobs, and will have a ripple effect on thousands more. Committee Republicans do not believe this is a prudent path to pursue, especially during these tough economic times.

Currently, institutions of higher education are able to choose between the Direct Loan (DL) program, through which their students borrow directly from the federal government, and the FFEL program, which gives their students a choice of lenders. The DL program reached its peak in 1998 when it encompassed 34 percent of the market. Since that time, schools have migrated away from the program to the extent that only 20 percent of total loan volume was in the DL program last year. Republicans recognize that each program

will see its share of total loans fluctuate over time, and with changing circumstances. For instance, there has been a modest increase in DL volume recently, attributed to the current economic situation. In prior years, volume has shifted from DL to FFEL because of concerns about borrower benefits, customer service, or infrastructure. These shifts, representing a choice by institutions of higher education, are made possible by the existence of two programs that compete with and improve one another.

Colleges and universities and their students also benefit from individualized services and programs made possible by the diversity of FFEL program participants. A one-size-fits-all, Washington-based solution would jeopardize the ability of institutions of higher education to tailor programs that best fit their students' needs.

In talking to institutions that have been in and out of the DL program, Committee Republicans have learned that it could take up to nine months for a single institution, with plenty of staff, to be ready to issue its first loan. We have also learned that the cost to institutions of switching programs could be as much as $400,000 for staffing costs, system changes, updates, and other infrastructure modifications. With colleges and universities already struggling to meet their expenses and maintain high quality educational programs, Committee Republicans question a proposal that would force schools to spend significant time and money to switch into a program that they have rejected in the past.

Some proponents of the DL program have argued that the FFEL program should be eliminated because the federal government recently intervened to ensure the program's stability amid the global credit crisis. And it is true that, for the first time in the history of the FFEL program, the federal government did intercede in 2008, as it did with all of the financial sectors. However, this intervention is only temporary. Additionally, it is worth noting that the action taken to stabilize the FFEL program and ensure students would have uninterrupted access to student loans was the *only* effort that has not cost the federal government a dime and may have actually earned money for the government. Once the markets have returned to their normal activity, the successful public-private partnership that has been in existence for over 40 years will resume.

The proposed elimination of the FFEL program also ignores the fact that private sector involvement in student lending has served as a vital backstop, particularly when the DL program has been unable to fully serve students. For example, in 1997, Congress was forced to intervene and pass legislation to assist the DL program in handling a significant increase in consolidation loan volume by allowing private providers to offer those services to students. At that time, the DL program had less than 40 percent of student loan volume. Yet even with the DL program's failure to fulfill its obligation to students at that time, the Clinton Administration and Congress did not propose to eliminate that program because these challenges were perceived as temporary. This experience underscores the belief that healthy competition between the private-sector-led program and the federal government's program is beneficial to both programs and enhances the ability of students to receive low-cost student loans.

Rather than hastily eliminating the FFEL program, Committee Republicans would welcome an opportunity to have a thoughtful and deliberate conversation with all interested stakeholders about an alternative model to continue with a successful public-private partnership that better fits with the advancements we have made since the program's inception. For the past two reauthorizations of the Higher Education Act, Committee Republicans and Democrats have agreed to set aside partisan differences in order to examine the student loan programs in terms of what is best for students. Committee Republicans believe a similar dialogue could lead our efforts in developing a new model for the FFEL program and, possibly, a new, simpler model for the student financial aid programs overall. Committee Republicans urge the House Budget Committee to retain funding for the FFEL program while this effort continues.

Ensuring Taxpayer Dollars Are Spent Effectively and Efficiently

Committee Republicans strongly support strengthening the monitoring and administrative controls at the U.S. Department of Education to ensure that taxpayer dollars are spent effectively, efficiently, and in the best interests of students and parents. With the recent passage of the American Recovery and Reinvestment Act (ARRA), which provided nearly $100 billion to states, school districts, and institutions of higher education to assist them in meeting their budgetary challenges, we believe that Congress must be vigilant in monitoring and oversight of this unprecedented taxpayer investment.

In numerous reports stretching back more than a decade, the U.S. Department of Education's Office of Inspector General (OIG) has raised concerns over the Department's existing monitoring and oversight of certain programs. For instance, the OIG has stated that it "...continued to identify programmatic weaknesses in Departmental monitoring of SEAs and/or SEA monitoring and oversight of LEAs in nearly all of our audits related to the ESEA..." It also found that, while the Department had taken steps to improve its state monitoring and oversight system, these efforts were not coordinated across all programs. In light of these challenges and the fact that the new State Fiscal Stabilization Fund lacks any fiscal controls, established formulas, or other provisions in place to ensure that the funds are properly spent, Republicans believe we must conduct rigorous oversight of the Department's actions and ensure that they have procedures in place such that these taxpayer dollars are closely monitored and effectively spent.

Committee Republicans are committed to eliminating wasteful spending and restoring fiscal discipline. To help accomplish that goal, Committee Republicans recommend the elimination of failed, redundant and excessive education programs. Many education programs throughout the budget are duplicative of other, larger federal programs. Others have been recommended for elimination after national evaluations deemed them ineffective or without demonstrated results. Some programs remain on the books despite having never been funded by Congress. In addition, many of the programs that fall into these categories are highly restrictive, serving only a limited group of students, or do not constitute an appropriate role for the federal government. Republicans believe that federal education dollars should be focused on programs that put students first. We

believe that means supporting programs that will serve students today without saddling them with overwhelming debt tomorrow.

Rejecting New Entitlement Spending

Committee Republicans are deeply troubled by the new entitlement spending included in the President's FY 2010 budget blueprint. Budget experts agree that "auto pilot" entitlement spending programs – those that are not subject to annual review by congressional appropriations committees – pose the largest threat to our long-term economic health. Yet rather than reining in existing entitlement accounts, the FY 2010 budget proposal creates entirely new, unchecked entitlement spending on initiatives that have historically been funded through the discretionary process that affords the utmost congressional oversight.

For example, in the recent Higher Education Act reauthorization approved by Congress was a new pilot program to increase college persistence and success. The bill also included a number of programs to ensure students are prepared to meet the challenges presented by a college education. Rather than recommending appropriated funding for any of these congressionally created programs, however, the President's budget instead recommends a new entitlement program called the College Access and Completion Fund that is estimated to cost $2.5 billion in entitlement spending over the next five years.

Committee Republicans are also concerned about the shift of the Pell Grant program from the discretionary side of the budget to the entitlement side. We have a strong record of support for the Pell Grant program, and we are concerned that this change will significantly reduce Congress' ability to monitor funding and conduct proper oversight for a program that has grown rapidly over the last few years and will likely continue to grow in these difficult economic times.

In addition, it is worth noting that entitlement programs are historically more difficult to reform. For example, up until the 109th Congress, federal student loan limits had remained essentially stagnant since 1986. Committee Republicans fear that moving the Pell Grant to the entitlement side of the budget will eliminate current flexibility in the program, as well as the ability of Congress to react to changing student needs. The Higher Education Act reauthorization bill contained a number of extremely important changes, such as year-round Pell Grants and providing full Pell eligibility to a student whose parent died while fighting for our country. These important improvements to the Pell Grant program may not have been possible had it been an entitlement program.

According to the President's Budget Blueprint, the upcoming budget will also create a new Nurse Home Visitation program proposed for entitlement spending that totals over $8.6 billion over the next 10 years. While some home visitation programs have been shown to increase school readiness and promote positive parenting practices, Committee Republicans remain concerned about committing entitlement spending to such a program that would typically be created on the discretionary side of the budget ledger, subject to the annual review of the appropriations committees, and subject to frequent oversight and

reauthorization by the appropriate authorizing committees of jurisdiction. We urge the House Budget Committee to reject new entitlement spending for this activity.

Similarly, the budget blueprint includes a proposal to create a new trigger mechanism which would provide automatic increases in the Low-Income Home Energy Assistance Program (LIHEAP) whenever there is a spike in energy costs. The budget estimates this will cost $4.3 billion over the next 10 years. Currently, unexpected energy cost spikes are dealt with through the use of a LIHEAP contingency fund, from which dollars are drawn upon a presidential declaration of an emergency. We believe that there may be a way to reform the contingency fund release process that will result in faster allocation of funds to adversely-affected areas without creating new entitlement spending for a program that has never had such a funding structure in its history.

Committee Republicans believe that we should thoughtfully consider comprehensive budget reform prior to adding massive new entitlement spending during unstable economic times. Our nation's heavy debt is already fueled primarily by the skyrocketing growth in entitlement spending. The national debt eats away ever increasing percentages of our country's budget and will make it more difficult for future generations to continue to enjoy the same standard of living that we do today. We urge the House Budget Committee to reject new entitlement spending.

WORKFORCE PRIORITIES

Protecting Employee Choice and Freedom from Intimidation under the National Labor Relations Act

Committee Republicans remain deeply concerned with efforts by congressional Democrats and organized labor to forsake the sanctity of the secret ballot organizing election under the National Labor Relations Act (NLRA) in favor of recognition schemes susceptible to employee coercion, intimidation, and harassment. Congressional hearings have demonstrated the flaws inherent in these schemes, while at the same time highlighting organized labor's increased use of high-profile, high-pressure organizing tactics in the face of dwindling membership and influence. More important, the American public recognizes and rejects this attempt, indicating by an overwhelming margin their opposition to the elimination of the secret ballot.

In the last Congress, Committee Republicans were particularly troubled by the haste with which House Democrats took up the misnamed *Employee Free Choice Act*, H.R. 800. Rather than pursuing legislation that strips workers of their right to private-ballot elections when determining union representation, the Committee should instead explore legislative proposals to ensure that the right of employees to choose union representation or not to choose such representation, free from coercion or intimidation, is fully protected.

Committee Republicans remain steadfast in their opposition to the *Employee Free Choice Act*, and urge Members on both sides of the aisle, in both chambers to reject this fundamentally-flawed assault on workers' rights.

Improving Health Care Affordability, Quality and Access

Committee Republicans remain dedicated to the goal of making health care insurance more affordable for all Americans. Committee Republicans are deeply concerned about the rising costs of health care premiums for the approximately 162 million workers and their families who receive their health insurance through their employer. Private health care insurance is largely regulated through the Employee Retirement Income Security Act (ERISA), which provides minimum standards for health plans and preempts individual state legislative health care insurance mandates. For more than 30 years, the current ERISA structure has permitted employers, on a voluntary and nationwide basis, to design high quality, affordable and uniform health care plans that are uniquely tailored to the needs of their workers and families across the country. The vast majority of employees enjoy their health care benefits and many employers want to continue to play a role in providing such benefits; however, any erosion or elimination of ERISA would lead employers to drop coverage, which would result in more uninsured individuals and increase the burdens on the country's health care system. The Committee, as part of ongoing health care reform efforts, should continue to support the current ERISA structure, and expand the ability of employers to provide coverage through the creation of Small Business Health Plans, which will permit businesses to pool resources and provide more individuals with access to quality, lower-cost health care.

Health Care Costs and Reform

Health care costs, and the corresponding cost of providing health care insurance, continues to dramatically increase every year. Cost growth for employer-provided health benefits over the past five years was approximately double the rate of overall inflation, and average monthly health care insurance premiums increased approximately 60 percent between 2000 and 2006. Although they have moderated somewhat in recent years, these costs continue to increase at unsustainable rates. Rising costs continue to force both employers and employees to shoulder greater financial burdens. Committee Republicans will continue to evaluate health care reform proposals with rising costs in mind.

The President's budget proposal proposes the establishment of a $634 billion health reserve fund meant to serve as a "down payment" on health care reform, with additional spending to be determined at some future date. The reserve fund is paid for with a roughly equal combination of tax increases and health care-related spending cuts. Committee Republicans stand ready to work with the President and congressional Democrats to enact meaningful health care reform that reduces health care costs, improves quality, and expands access to coverage and services. However, simply raising taxes – particularly in a time of economic crisis – and throwing more money at the health care system will do little to lower costs, improve quality, or expand access to coverage and care.

In 2005, the House passed, with the support of 36 Democrats, the *Small Business Health Fairness Act*. This bill authorized the creation of Association Health Plans, otherwise known as Small Business Health Plans (SBHPs), which would allow small businesses to band together through associations in order to purchase health insurance at a lower cost. The bipartisan bill would increase small businesses' bargaining power with health care providers and insurers, would give small businesses the freedom from costly state insurance benefit mandates, and would lower their overhead costs by as much as 30 percent. These are benefits already enjoyed by larger businesses and labor unions because of their larger economies of scale. The bill would significantly lower costs, increase affordability and reduce the number of uninsured Americans by enabling *bona fide* trade associations the ability to offer uniform health plan coverage nationwide to their members, their employees and families. SBHP legislation was introduced in the 110th Congress, but the Majority took no action on this legislation. In the context of broader health care reform efforts, the Committee should work with the President to enact legislation authorizing SBHPs.

Also, the Committee should carefully consider the impact of efforts to enact federal coverage mandates on employer-sponsored health care coverage, and reject efforts to undermine the federal ERISA system or proposals that result in unjustifiable cost increases. In general, a mandate serves as a directive to an employer health plan to include coverage for certain health care services and increases the cost of insurance coverage. Individuals who have no need for the benefit end up paying for the cost of mandated coverage. Mandates undermine the ability of private health plans to provide individuals with innovative, flexible, high-quality, cost-effective coverage. A proliferation of federal coverage mandates would make it increasingly difficult to develop workable solutions to reduce health care cost growth and increase the number of Americans with health care coverage. Further, although individual states can be innovators in providing new health care coverage arrangements to their citizens, such coverage should not be provided at the expense of ERISA-based health plans, and should not undercut the federal ERISA structure that permits national delivery of affordable, high-quality health care coverage for millions of Americans. The Committee should instead consider legislative proposals, like SBHPs, that build upon and strengthen the ERISA structure.

Monitoring and Assessing the Family and Medical Leave Act

This year marks the 16th anniversary of enactment of the Family and Medical Leave Act (FMLA). As employers and employees near almost two decades of experience with the law, the Committee should review the requirements of the FMLA, examining areas where the Act has worked as intended, and where it may have failed to do so. With bipartisan support, the 110th Congress expanded the FMLA to provide important new leave benefits for our armed forces, reserves, and family members. Committee Republicans commend the Department of Labor for issuing regulations to implement these provisions, and for proposing the first revision of FMLA regulations in the Act's history, clarifying issues that have arisen under the Act, its regulations, and its interpretation by various courts. In

this Congress, Committee Republicans will focus their efforts on oversight of both pre-existing and new leave provisions of the FMLA, and will support efforts, legislative and otherwise, to ensure that the FMLA effectively reflects the needs of the 21st Century workplace. At the same time, Committee Republicans will be vigilant with respect to any proposal that would impose costly and onerous new burdens on employers, particularly those that would mandate the provision of paid leave.

Retirement Security for Workers and Their Families

Committee Republicans remain dedicated to the goal of enhancing retirement security, with continuing attention to both employer-sponsored defined benefit and defined contribution pension plans. Building upon the enactment of the landmark *Pension Protection Act of 2006*, the Committee should continue to work to ensure pension security for all Americans by expanding coverage for a greater number of workers, creating flexibility in the voluntary private pension system, and encouraging adequate funding in order to meet workers' retirement needs.

At the same time, Committee Republicans are mindful of the dramatic impact the 2008 economic downturn has had on retirement savings in all retirement vehicles. For these reasons, Committee Republicans supported legislation in 2008 to adjust key provisions of the *Pension Protection Act* and other retirement laws to reflect the challenges presented by the historic and unanticipated financial climate.

Committee Republicans remain committed to supporting policies that will help Americans rebuild their hard-earned savings as quickly as possible, while ensuring that the federal government does not hinder those efforts toward recovery. Committee Republicans will also work to preserve and improve our private pension system, while opposing proposals that seek to replace that system with one run by the federal government. In short, Committee Republicans will support efforts to maintain the viability of our private-sector pension system, and stand ready to ensure that our nation's pension laws meet both that short-and long-term economic challenges that confront employers and their workers.

Supporting Job Training Through the One-Stop System

Republicans are committed to a dynamic, results-oriented job training system that can effectively serve job seekers and workers in need of retraining. In order to strengthen the lagging economy, Republicans believe Congress should develop new strategies and identify innovative ways to meet the needs of our nation's workers and businesses.

The nation's primary assistance for unemployed and underemployed workers is authorized through the Workforce Investment Act of 1998 (WIA). Congress passed WIA in 1998 to reform the nation's job training system that had been fragmented, contained overlapping programs, and did not effectively serve job seekers and employers. The authorization for WIA expired on September 30, 2003; while the ranks of the unemployed continue to grow, it is vitally important that WIA be reauthorized now.

Republicans will continue to work to improve job training opportunities for Americans striving to get back to work by streamlining unnecessary bureaucracy, fostering economic development, expanding employment and advancement opportunities for workers, and promoting the creation of high-skill and high-wage opportunities so that we can compete in the global economy. The nation's workforce investment system must be reauthorized and reformed so that it can respond quickly and effectively to the changing needs of job seekers. Increasing the skill level of the nation's adults and youth is central to Congress' effort to improve the economy.

While the American Recovery and Reinvestment Act provides $3.95 billion to the Department of Labor for job training and employment services authorized under WIA (more than double the program's current funding levels), the entirety of the funding must be obligated by 2010. This means that these dollars can only be spent on non-recurring programs, and that programs with ongoing needs may have difficulty sustaining services after the stimulus dollars have been expended.

Committee Republicans remain concerned that the Democrats' failure to reauthorize the Workforce Investment Act in a timely fashion has left key job training programs vulnerable to funding concerns and rescissions through the appropriations process. For example, the FY 2008 Appropriations bill included a $250 million rescission of unspent but obligated funds from FY 2005 and FY 2006. It is clear that each year that WIA is not reauthorized, the program becomes more vulnerable to raids on its funding, which weakens the overall effectiveness of these proven job training programs. We are hopeful that reauthorization of WIA will occur this year, and therefore urge the House Budget Committee to include sufficient funding to maintain this successful system.

Guest Worker Programs

As the Committee continues its oversight of temporary guest worker programs, Committee Republicans would encourage Committee Democrats to support the Department of Labor's recently-revised regulations making key processing improvements to the H-2A and H-2B programs, streamlining the application progress and worker recruitment time frames, and instituting new requirements designed to discourage abuse and violations. Committee Republicans believe that the Department has made meaningful progress to update these programs and make them relevant and useful for employers and workers alike, and hope the Committee will support the Department's efforts to implement these important reforms.

Modernizing the Fair Labor Standards Act

Numerous hearings held by the Committee over the past several years demonstrated the need to update the 1938 Fair Labor Standards Act's regulatory scheme. In response to the clear need for reform, the Bush Administration undertook a historic initiative to update that regulatory scheme and ensure the regulations reflect the intent of Congress and the realities of a 21st century workforce.

The updated regulations have provided a catalyst for compliance and helped to ensure that the law is more relevant for today's workforce. In addition, the changes have helped to clarify workers' rights to overtime, assisted employers in determining how to pay their employees, and assisted the Department of Labor in its enforcement of these important workplace protections. Committee Republicans believe the Department of Labor should continue efforts to utilize a combination of strong and effective targeted enforcement, technical assistance, and education to promote and encourage compliance under the FLSA.

In addition, as the Committee continues its focus on ways for employers to provide more family-friendly workplaces, Committee Republicans believe the Committee should place a high priority on looking at ways to eliminate impediments within the FLSA, which prevent employers and employees from working out mutually beneficial and innovative arrangements regarding compensation and flexibility in work schedules. In particular, flexible compensatory time arrangements would help many employees in their attempts to achieve a better balance between work and family obligations.

Reforming the Federal Employees' Compensation Act

Committee Republicans support efforts to improve the administration and management of the Federal Employees' Compensation Act (FECA). In particular, the Committee should examine ways to improve overall FECA program management, simplify certain administrative aspects, and strengthen the integrity of the program. Committee Republicans are committed to working with the new Administration to identify areas to improve the efficiency of the workers' compensation program for federal employees, while ensuring that the program is responsive to the needs of injured federal employees.

Enhancing Workplace Health and Safety

Committee Republicans continue to recognize that a business has no greater asset than its employees. As such, Republican Committee Members remain committed to pursuing policies that will encourage and allow employers to provide their workers with a safe and healthy work environment – including policies that promote cooperative programs between employers, employees, and the federal government.

Occupational Safety and Health Administration

The Committee should work with the Obama Administration to improve the performance of the Occupational Safety and Health Administration (OSHA) by promoting health and safety in the workplace through increased compliance assistance for employers, in addition to targeted enforcement initiatives. According to the Department of Labor, the occupational injury and illness rate has declined every year since 2003. The Committee has long supported the Labor Department's cooperative approach toward reducing worker injuries and illnesses, which has been coupled with vigorous enforcement. To this end, Committee Republicans are concerned that the Administration's FY 2010

budget proposal ignores the successful progress made through OSHA's cooperative programs – programs that provide compliance assistance to employers and employees, particularly small businesses – and instead relies on an adversarial "gotcha" mentality.

Mine Safety and Health Administration

The Mine Safety and Health Administration (MSHA) continues to implement the *MINER Act*, comprehensive mine safety legislation that was enacted into law during the 109th Congress. The bipartisan legislation focused on the need to upgrade mining technology, empower MSHA through strengthened enforcement, and ensure an industry-wide comprehensive review of safety and health. In addition, the *MINER Act* required the Department of Labor to complete a number of regulatory actions on a very aggressive timeframe. To date, MSHA has met every statutory requirement set forward by the *MINER Act.* Committee Republicans support a budget that reflects the priorities of the *MINER Act* and its implementation, including efforts to update existing technology, train new inspectors, and improve industry practices. Committee Republicans oppose efforts to re-write the *MINER Act*. Such efforts ignore the fact that the *MINER Act* is still being implemented, and is therefore premature. Moreover, these efforts include policy proposals that could actually undermine ongoing improvements in miner safety.

CONCLUSION

Republican members of the Committee on Education and Labor believe the federal budget is a statement of priorities. The fiscal challenges we face as we prepare the FY 2010 budget are daunting, but those challenges must not deter our commitment to reform. Republicans stand ready to work with Committee Democrats, the Committee on the Budget, and the Obama Administration to enact fiscally responsible reforms on behalf of students, workers, and retirees. When we see policies that diverge from that goal, we will offer principled alternatives that protect taxpayers while ensuring a world-class education system and a dynamic workforce able to compete in the 21st century.

Howard P. McKeon

Howard P. "Buck" McKeon
Senior Republican Member

Views and Estimates for FY 2010
Additional View and Estimate for FY 2010
Congressman Robert C. "Bobby' Scott
111th Congress, 1st Session
March 13, 2009

In addition to Chairman Miller's Views and Estimates, it is important that we fund following programs in the Budget for Fiscal Year 2010:

HIGHER EDUCATION ACT

Honorable Augustus F. Hawkins Centers of Excellence (Section 242) – We must ensure that teachers are highly qualified to teach our next generation. The Augustus F. Hawkins Centers of Excellence provide grants to eligible institutions to ensure that current and future teachers are highly qualified by carrying out a variety of activities, such as providing clinical experience.

"Diversity in the Arts" under the Fund for the Improvement of Postsecondary Education (Section 707(a)(13)) – We must ensure that our entertainment media industry remains diverse. The Higher Education Act created a pool within the Fund for the Improvement of Postsecondary Education program to allow seeking to promote cultural diversity in the entertainment media industry to work in collaboration with schools and their students.

HBCU Capital Finance Program (Section 314) – The Capital Finance Program provides low cost loans to Historically Black Colleges and Universities to finance infrastructure enhancements. We need to ensure that the program is authorized at an amount that will provide additional loans to schools who need to make these improvements.

Modeling and Simulation (Section 891) - The Higher Education Act creates a Modeling and Simulation program to give grants for colleges and universities to create or enhance M&S programs. This critical technology allows us to build and develop computer models of complex systems to see how certain actions will affect the end result. Modeling and Simulation is a rapidly expanding field and we must ensure that the United States maintains its competitive edge in this field by expanding Modeling and Simulation programs at our institutions of higher education.

WORKFORCE INVESTMENT ACT

Summer Jobs Enrichment Programs (Section 129) - The American Reinvestment and Recovery Act invested in job training programs, including targeting youth workforce development through summer job programs. Summer

jobs programs should be expanded and strengthened because they yield a high return on their investment while fostering skill development and professional growth. These summer job programs stimulate the economy, provide gainful employment and deter crime by providing beneficial alternatives to youth during non-school months.

JARED POLIS
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Congress of the United States
House of Representatives

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EARLY CHILDHOOD, ELEMENTARY AND SECONDARY EDUCATION
HIGHER EDUCATION, LIFELONG LEARNING AND COMMUNITIES
HEALTHY FAMILIES AND COMMUNITIES
COMMITTEE ON RULES
COMMITTEE ON SCIENCE AND TECHNOLOGY
STEERING AND POLICY

Thursday, March 12, 2009

The Honorable George Miller
Chairman
House Committee on Education and Labor
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Miller,

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), the committee circulated its Views and Estimates for Fiscal Year 2010 for the Committee on Education and Labor and requested its members to submit any minority, supplemental, or additional views by 12:00 p.m. on Friday, March 13, 2009.

I respectfully submit for your consideration the following supplemental language, which is underlined, and located on the second page, in the "The No Child Left Behind Act (NCLB)" section:

Other priorities include: continuing to hold schools accountable for the progress of all students, reforming high schools, <u>expanding successful charter schools</u>, supporting teachers and principals, and encouraging a rich and challenging learning environment and promoting innovation taking place in schools throughout the country.

Please let me know if you have any questions.

Sincerely,

Jared Polis

PRINTED ON RECYCLED PAPER

Additional Views
Views and Estimates Fiscal Year 2010
Committee on Education and Labor

March 13, 2009

The Individuals with Disabilities Education Act (IDEA) was passed by Congress over three decades ago and included a promise that the federal government would pay forty percent of the cost to provide students access to special education. While this mandate has been carried out in school districts across America, federal funding has failed to live up to that pledge and the ever-increasing cost of special education continues to be passed on to state and local governments.

The American Recovery and Reinvestment Act (ARRA) included a short-term boost in funding for special education, though even with this increase the federal government remains well short of the commitment set forth in IDEA. Rather than tie up limited federal funds on dozens of new or failing education programs, Congress must build on the increased special education funding contained in ARRA to fulfill our share of this education mandate.

State and local governments across the country are facing tight budgets and difficult spending decisions compounded by the unfunded mandate of IDEA. The time is now for Congress to fully fund its share of special education.

John Kline
Member of Congress

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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives

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March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
House Budget Committee

The Honorable Paul Ryan
Ranking Member
House Budget Committee

Dear Chairman Spratt and Ranking Member Ryan:

Pursuant to clause 4(f) of Rule X of the rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974, as amended, the Committee on Energy and Commerce is submitting views and estimates on President Obama's fiscal year 2010 budget. It is the custom of this Committee for the majority and minority to transmit separate views and estimates. These are the views and estimates of the majority.

The fiscal year 2010 budget proposed by President Obama reflects a sound blueprint for moving forward on the President's campaign pledge to provide access to high-quality, affordable health insurance for all Americans, to address the global warming threat, promoting energy independence, and to undertake other initiatives essential to restoring our economy.

The attached views and estimates are based on the initial budget proposal of the President, which leaves some detail for the full budget to be presented this spring. In the absence of more detailed information, the Committee is unable to comment in depth on every aspect of the budget that comes under the Committee's jurisdiction. I look forward to working with the Obama Administration in the coming months as we forge policies to achieve universal health care coverage, a comprehensive plan for carbon emissions reduction and energy sustainability, and other initiatives critical to the well being of Americans and the American economy.

Sincerely

Henry A. Waxman
Chairman

Attachment

Views and Estimates on the Fiscal Year 2010 Budget

Committee on Energy and Commerce

United States House of Representatives

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following discussion is not exhaustive, but highlights the views on issues addressed in the President's fiscal year 2010 budget that are within the Committee's jurisdiction.

Communications, Technology and the Internet

The budget proposes for matters relating to the use of the electromagnetic spectrum:

(1) Permanent Auction Authority -- To extend permanently the authority of the Federal Communications Commission (FCC) to auction spectrum licenses. (This authority is currently set to expire in 2012).

(2) Spectrum License User Fee -- To permit the FCC to impose license fees on spectrum license holders.

(3) Domestic Satellite Service Spectrum License Auctions -- To require the auction of spectrum licenses for predominately domestic satellite services such as Direct Broadcast Satellite and Satellite Digital Audio Radio Services.

As a general rule, all communications policy matters, including rules regarding spectrum management, are best determined through the normal legislative process. Given the complexity of the policy issues confronting the communications and technology sector, it is imperative that the Committee engage in appropriate fact-finding, consultation and analysis before adopting long-term policies.

The Committee will continue working to ensure that the United States maintains a comprehensive and forward-looking spectrum management policy that inures to the maximum benefit of the American public.

Energy and Environment

Climate Revenues

The President is to be commended for including in his budget revenue from the implementation of a comprehensive climate program that will cap emissions of global warming pollution. The program is projected to raise $78.6 billion by 2012 and $645.7 billion cumulatively by 2019. Enacting such legislation this Congress will be critical to reviving the

flagging economy through clean energy investment, protecting the global environment and the public health, and increasing our national security by reducing our dependence on oil. Comprehensive energy and climate legislation will be among the Committee's top priorities.

Environmental Protection Agency

The President is to be commended for including $10.5 billion for the operations of the Environmental Protection Agency (EPA). After years of flat and declining budgets, this proposed increase of 34% will allow the Agency to successfully pursue its mission to protect the environment and the public health.

The President also is to be commended that $3.9 billion will be directed to the Agency's operating budget. After years of declining Justice Department enforcement actions and declining civil penalties and criminal fines, the Agency should be funded to adequately pursue enforcement activities against polluters whose disregard for the law threatens the environment and public health.

The President also is to be commended that the budget proposes to reinstate the Superfund tax. Reinstating the tax will generate more than $1 billion for cleanup of the nation's most polluted sites pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

Department of Energy

The President is to be commended for including $26.3 billion in the budget to support Department of Energy (DOE) research, development, demonstration, and deployment of clean energy technologies that reduce global warming emissions. While the nation's movement towards a clean energy economy will be spurred by comprehensive climate legislation, DOE's ability to innovate and deploy energy efficiency, renewable energy, and other advanced clean energy systems that will help reduce costs, accelerate timeframes, and provide additional economic opportunities.

Health

Health Reform

The centerpiece of the President's fiscal year 2010 budget for health care is his proposal for comprehensive health reform. The budget does not specify a particular set of policies to reform the health care system, and it does not identify the cost of reform. Instead, the budget sets forth eight principles that will guide the President in working with the Congress to develop reform legislation. These principles are: (1) protect families' financial health; (2) make health coverage affordable; (3) aim for universality; (4) provide portability of coverage; (5) guarantee choice; (6) invest in prevention and wellness; (7) improve patient safety and quality care; and (8) maintain long-term fiscal sustainability.

Toward that end, the budget proposes the creation of a "reserve fund" for health care reform financed by a combination of reductions in spending in existing programs and an increase in taxes on families with annual incomes over $250,000. The spending reductions would total an estimated $316 billion over ten years, while the tax increases would yield $318 billion in new revenues, for a total of $634 billion. The budget acknowledges that this amount is "not sufficient to fully fund comprehensive reform" and commits the President to working with the Congress to find additional resources.

Of the $316 billion in spending reductions, $287 billion, or over 90%, are attributable to changes in Medicare policy. The remaining reductions would occur in the Medicaid program. The President is to be commended for his goal of improving the effectiveness and efficiency of the Medicare and Medicaid programs while improving the quality of care received by beneficiaries. There are a number of ways in which this goal could be achieved. For example, establishing a workable regulatory pathway for generic versions of biologic drugs would reduce federal and private sector spending on these drugs over time.

Medicare Advantage

The budget proposes to reform the way in which Medicare Advantage (MA) plans are paid by using a competitive bidding system to determine the premiums such plans receive from the government. The estimated savings to Medicare from this reform are $176 billion over ten years. Currently, MA plans are paid 14% more than it would cost to care for beneficiaries in fee-for-service (FFS) Medicare, or more than $1,000 per beneficiary per year. Such a payment differential is both inequitable – because it is an extra subsidy only available to private plans – and unsustainable, because it costs the federal government many billions of dollars per year while providing no apparent benefit. The Committee will work with the Administration to develop a mechanism for reforming the MA payment system to ensure that private plans focus on geographic areas where they are able to provide Medicare benefits in a manner equally efficient to that of the Medicare fee-for-service system.

Medicare Physician Payments

The budget proposes to reform the current Medicare payment system to give physicians incentives to improve quality and efficiency but does not specify the elements of this reform. Under current law physicians treating Medicare patients will face a 21% reduction in fees in calendar year 2010 and additional cuts for many years thereafter. If allowed to go into effect, these cuts will trigger a crisis in the availability of medical services for elderly and disabled program beneficiaries. Medicare's physician fee schedule also has a well-documented bias against primary care services and management activities known to provide the most effective and efficient kinds of care.

It is important to reform the current payment system while seeking ways to avoid the reduction in fees in 2010. CBO has estimated the cost of modifying Medicare's system for paying for physician services at as much as $200 to $400 billion or more over 10 years, depending on the design of the alternative payment system. Paying for Medicare physician payment reforms out of reductions in other Medicare outlays, while simultaneously applying

reductions in Medicare spending against the cost of comprehensive health reform, as proposed in the budget, is not feasible.

Medicare and Medicaid Program Integrity

The budget proposes to provide an additional $1.7 billion over the next five years to the Health Care Fraud and Abuse Control program at the Department of Health and Human Services (HHS). These additional funds would support a multi-year strategy to reduce the risk of improper payments in Medicare and Medicaid. The budget estimates that these additional funds would generate $2.7 billion in program savings over the next five years. It is important to ensure that taxpayer dollars are spent correctly without imposing unnecessary administrative burdens on beneficiaries or providers.

Medicare and Medicaid Research

The budget includes an unspecified amount of new funding to broaden the Medicare and Medicaid research agenda. Medicare and Medicaid demonstrations should be supported to test ways to increase beneficiary access to higher quality care at lower cost and to improve beneficiary understanding of benefits and plan choices offered.

Food Safety

The budget provides a substantial increase in resources for the Food and Drug Administration to strengthen FDA's efforts to make food and medical products safer. As the recent peanut product recall illustrates, there are glaring weaknesses in FDA's ability to ensure the safety of the nation's food supply. The President is to be commended for providing additional resources necessary to increase and improve inspections, domestic surveillance, laboratory capacity and domestic response to foodborne illness. Further analysis is required to ensure that the resources available to the FDA will be adequate to ensure a safe food supply.

HIV/AIDS Prevention and Treatment

The budget proposes to increase resources to detect, prevent, and treat HIV/AIDS domestically, especially in underserved populations, but it does not specify an amount, emphasizing the importance of these services for underserved populations. The Centers for Disease Control and Prevention estimates that 56,300 Americans are infected with HIV each year. One-third of all infections occur among adolescents and young adults, and HIV/AIDS disproportionately affects racial and ethnic minorities and men who have sex with men. The President is to be commended for supporting efforts to reduce the burden of HIV/AIDS in the United States. The Committee will work with the Administration to determine the level of resources needed to address the epidemic.

Health Disparities

The budget provides resources to reduce health disparities. Disparities in morbidity and mortality rates between racial and ethnic minorities and whites persist in a number of conditions, including cancer, hypertension, and diabetes. The Institute of Medicine's report *Unequal*

Treatment concluded that disparities persist in the quality of health care received even after controlling for access-related factors, such as insurance status and income. The President is to be commended for proposing funding for initiatives to reduce health disparities.

Rural Health

The budget provides $73 million to strengthen regional and local partnerships among rural health care providers, expand community-based prevention, and modernize the health care infrastructure in rural areas. The President is to be commended for supporting efforts to improve access to health care in rural areas and initiatives to improve the quality of that care.

Access to Health Care for American Indians and Native Alaskans

The budget proposes over $4 billion for the Indian Health Service (IHS) to support and expand the provision of health care services and public health programs for American Indians and Alaskan Natives. The IHS, tribal health organizations, and urban Indian health programs have been chronically underfunded in relation to the health needs of the AI/AN population. The President is to be commended for proposing additional resources to enable the Indian health system to address persistent health disparities and to foster healthy Indian communities.

Home Visitation for Low-income First-Time Mothers

The budget provides funds for a new nurse home visitation program, under which states would furnish home visits by trained nurses to first-time low-income mothers and mothers-to-be. Evaluations of the prototypes for this program have found a return for each $1 invested of $3 to $6 in savings resulting from reductions in preterm births and child abuse and neglect. The President is to be commended for supporting cost-effective initiatives to improve health outcomes for low-income pregnant women and their children.

Teen Pregnancy Prevention

The budget supports state, community-based, and faith-based efforts to reduce teen pregnancy using evidence-based models that emphasize abstinence but also provide medically accurate and age-appropriate information. Funding for evidenced-based strategies to reduce teen pregnancy is an important investment, particularly at a time when the birth rate among teens has increased for the first time in 15 years.

Health Professions Workforce

The budget provides $330 million to address the shortage of health care providers in certain areas. More specifically, the budget (1) expands loan repayment programs for physicians, nurses, and dentists who will practice in medically underserved areas, (2) enables nursing schools to increase the number of nurses they train, and (3) allows states to increase access to oral health care through dental workforce development grants. The President is to be commended for supporting efforts to address the shortage of primary care and oral health providers in underserved urban and rural communities.

Emergency Care Systems

The budget includes funding to enhance emergency care systems. In 2006, the Institute of Medicine described our nation's emergency care system as "at the breaking point" because it is overburdened, underfunded, and highly fragmented. It is important to invest in resources to reduce emergency room overcrowding, patient boarding, and ambulance diversion, all of which are inconsistent with quality care and undermine the nation's capacity to respond to terrorist events or natural disasters.

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ONE HUNDRED ELEVENTH CONGRESS

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March 16, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
Room 207 Cannon House Office Building
Washington, DC 20515-6065

The Honorable Paul Ryan
Ranking Member
Committee on the Budget
Room B71 Cannon House Office Building
Washington, DC 20515-6065

Dear Chairman Spratt and Ranking Member Ryan:

Attached please find the Minority views and estimates of the President's Fiscal Year 2010 budget from the Committee on Energy and Commerce Republicans.

Sincerely,

Joe Barton

Joe Barton
Ranking Member
House Committee on Energy and Commerce
2322-A Rayburn
Washington, DC 20515

Views and Estimates on the President's Budget For Fiscal Year 2010

Submitted by:

The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce
March 16, 2009

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Introduction

Clause 4(f) of Rule X of the Rules of the House of Representatives for the 111th Congress and section 301(d) of the Congressional Budget Act of 1974, as amended, require each standing committee of the House to submit to the Committee on the Budget (1) its views and estimates with respect to all matters to be set forth in the Concurrent Resolution on the Budget for the ensuing fiscal year (FY 2010) which are within its jurisdiction or functions, and (2) an estimate of the total amounts of new budget authority and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within its jurisdiction which it intends to be effective during that fiscal year.

On February 26, 2009, President Obama submitted to Congress his proposed budget for FY 2010 (the President's budget). The Committee on the Budget has requested that committees submit their Views and Estimates by March 13, 2009. The following represents the Committee on Energy and Commerce's Minority views and estimates on the President's budget and its requests for additional budget authority beyond the requests contained therein.

Consumer Protection

Department of Commerce

The President's budget request for FY 2010 includes $13.8 billion for the Department of Commerce (Department). The request represents an increase of $4.5 billion over FY 2009 and includes funding for programs at the Department that attempt to create the conditions for economic growth and promote U.S. innovation and competitiveness in a global economy. While we support the Administration's commitment to these important programs, we remain very concerned about internal inefficiencies at the Department, and we are committed to addressing any and all duplicative and wasteful efforts.

The increased funding includes $4 billion for the Bureau of the Census in preparation for the 2010 Census, which is in addition to the $1 billion recently provided by the American Recovery and Reinvestment Act (Recovery Act). We support the need to provide this important service but have serious concerns about the additional funding request. We note the additional monies provided by the Recovery Act and the 2009 omnibus authorization far exceed the increases that were previously anticipated would be required to conduct a thorough census. There is no transparency or explanation of how these additional requested funds will be used, nor is there justification for them.

Separately, given the White House's recent attempt to shift responsibility for some aspects of the Census from the Department and into the White House, we are extremely troubled by the potential politicization of the process. The Census is vitally important in understanding the state of our Nation and in helping to determine how our citizens are represented in Congress. Political opinions should have no place in this essential process, and we hope that the White House and the Department avoid even the appearance of this impropriety in conducting the 2010 Census.

The Recovery Act provided $600 million for the construction and maintenance of National Oceanic and Atmospheric Administration (NOAA) research facilities, vessels, and satellites, as well as $230 million for habitat restoration, hydrographic services, research, and management operations. The President's budget adds over $1.3 billion to fund NOAA's development and acquisition of vital weather satellites and climate sensors. While much of this research is warranted and critical, we are

concerned that some of this research may be politicized in the debate over climate change. The Administration should avoid this, strive for the best science possible, and cut funding for ineffective research.

With our national debt rapidly increasing, we support every effort to prioritize discretionary spending and eliminate duplicative or unnecessary funding. Given the fact that the Recovery Act provided funds for many programs within the Department, it is vitally important that we redouble our efforts to avoid government waste. We hope that the Administration will continue President Bush's use of the Program Assessment Rating Tool to assess effectiveness and to eliminate ineffective, unnecessary, or duplicative programs and associated funding where appropriate.

National Highway Traffic Safety Administration

The Administration's budget request for the Department of Transportation lacks any information regarding the specific amount requested for NHTSA. The omnibus appropriation bill provided NHTSA with $856 million in budget authority for FY 2009. We withhold our views until such time as we receive further clarification of the President's funding request for DOT and NHTSA.

Federal Trade Commission

The President's budget request contains no information regarding the budget authority for the commission. However, we note the line item for "Other agencies" requests a total of $19.8 billion, approximately a 3.7 percent increase over FY 2009. We can only assume this increase is spread evenly among all agencies that will share in the line item total.

However, the President's budget also anticipates a decrease in FY 2011 funding for "Other agencies" by $1 billion to $18.8 billion, at which point it is stepped down further in the subsequent outyears. We wholeheartedly support efforts to trim government spending, but have no inkling where the proposed cuts will come. We are skeptical such cuts will be enacted. Rather, it is more likely that the Democrat-controlled Administration and Congress will increase funding regardless of need. Therefore, the President's budget submission in all likelihood underestimates the projected budget deficit by several billion dollars over the five-year period.

Consumer Product Safety Commission

The Administration's budget request contains no information regarding the funding level for the commission. Congress enacted the Consumer Product Safety Improvement Act (CPSIA) in the 110th Congress to provide the Commission with new tools and authorities to improve product safety. Section 201 reauthorizes the commission in FY 2010 at $118,200,000. Given the additional workload associated with the new mandates of the CPSIA and other laws (such as the Pool and Spa Safety Act) and the increase in commissioners and associated staff, we believe it is necessary to provide an appropriation requisite with the approved authorization.

Energy

Climate Revenues

The President's budget assumes revenues from a cap-and-trade scheme designed to curb CO_2 emissions. This cap-and-trade plan will increase taxes, raise energy costs for consumers, and kill American jobs. Studies show that in per-household terms, a family of four can expect to pay as much as $4,560 in additional taxes in 2015. Moreover, because the President's cap-and-trade scheme will hit the coal-dependent South and Midwest much harder than the West Coast and Northeast, families and workers in the South and Midwest will unfairly subsidize tax cuts for the West Coast and the Northeast. The President's cap-and-trade fiasco will regulate economic activity and personal behavior with the real costs being borne by the already financially-stressed families of the United States.

Further, it is widely understood that under a cap-and-trade program, firms would pass most of the costs along to their consumers rather than bearing the costs themselves. Studies of the effects of Kyoto-like reductions (which would be less stringent than the reductions targets called for by the President), the cost of home heating oil and natural gas would nearly double, electricity costs would increase by 73%, and gasoline prices would spike by 60 percent.

Further, the President's cap-and-trade program would discourage domestic production of oil and gas, thereby increasing the country's dependence on foreign oil. Discouraging well-paying oil and gas jobs in the name of a "green economy" shows lack of foresight in this tough economy. Further, carbon-intensive industries will endure lost competitiveness, lost jobs and lost investment. For the United States to charge ahead with the President's cap-and-trade plan makes no sense from a competitiveness standpoint if the developing world does not follow suit.

Department of Energy

The Department of Energy budget only allocates enough funding to continue with the ongoing licensing activities of the planned repository at Yucca Mountain. The budget otherwise completely halts development of the repository. This is fiscally irresponsible, and it could halt the development of much-needed new nuclear plants. Electricity customers have paid almost $30 billion to fund a repository, and yet the Administration refuses to move forward with its development. The federal government is in breach of agreements to take nuclear waste from civilian generating facilities – the taxpayers' liability increases $500 million for every year the opening of a permanent repository is delayed. Not only will additional delay cost billions of dollars, but new nuclear plants will be more difficult to develop as long as the eventual waste disposal issue is undecided.

Environmental Protection Agency

The EPA assumes its success with regulating CO_2 through a cap-and-trade program by comparing CO_2 cap and trade to the acid rain program. This comparison is fallacious; the acid rain program should not be used as a template for CO_2 regulation. Acid rain is caused by sulfur dioxide and nitrogen oxide, anthropogenic polluting gases. According to the EPA, the overwhelming

majority of sulfur dioxide and a significant percentage of all nitrogen oxides are point sources from electric power generation. Carbon dioxide, however, is a naturally-occurring gas that cannot be eliminated merely by targeting point sources. An acid rain program that targeted a percentage of point source power plant emissions cannot be compared to an economy-wide cap and trade for an internationally occurring and migrating gas like CO_2. As addressed in the climate revenues section, the targets chosen by the President and mandated to the EPA are unrealistic and will cause great damage to an already compromised economy.

Environmental Management

The President's budget offers platitudes about the need for cleanup, but makes to specific requests for DOE's Environmental Management (EM) program. EM manages cleanups of legacy sites of nuclear weapons production and government nuclear energy research.

Environment

Environmental Protection Agency

The Environmental Protection Agency (EPA) is responsible for the abatement and control of pollution. Its 2010 budget request includes a substantial increase over the budget requests of the last eight years—$10.5 billion, which is a 34 percent increase over the budget likely to be enacted for 2009 and includes $3.9 billion for EPA's operating budget.

We are concerned that President Obama has shifted the focus away from what works in people's neighborhoods and reverted to the notion that all wisdom occurs inside the Beltway and EPA needs to become a regulatory factory rather than assess problems based upon their merits and sound science. We do not oppose necessary increases in administrative costs or regulations when appropriate, but when people are losing their jobs and companies are holding the line on spending, we are troubled that paying for more desks and higher salaries is one of the highlights of this budget rather that actual public health and environmental improvements. In addition, we recognize the necessary and important role that is played by the States in administering and enforcing Federal environmental law, and we urge smarter partnerships which leverage expertise and resources for the public good.

Safe Drinking Water

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a drinking water state Revolving Loan Fund (DWSRF) program to help public water systems finance infrastructure projects needed to comply with federal drinking water regulations and to meet the Act's health objectives. Under the DWSRF, States receive capitalization grants to make loans to public water systems (privately and publicly owned) for drinking water projects and certain other SDWA activities. Because Congress wished the DWSRF to be self-sustaining, rather than a bank that repeatedly needed to be replenished, repayments and interest are recycled back into the program so the DWSRF generates funding for loans (revolve) even without Federal capitalization.

After enacting a $2 billion jolt into Safe Drinking Water Act's Revolving Loan Fund (DWSRF) under the American Recovery and Reinvestment Act in February 2009 and another $829 million for the DWSRF later that same month – not to mention $145 million in earmarked water projects, the Obama Administration has proposed $1.5 billion for the DWSRF. Especially in this tight budget time, we are very concerned about the notion that the DWSRF should not revolve, but rather serve as a clearinghouse, during a time when many systems do not charge their customers the true cost of their services. While we are concerned that the DWSRF was never meant to operate this way, we are interested and will monitor EPA activities with regard to small system customers who are least likely to afford expensive mandates.

Many uncertainties remain as to how carbon capture and sequestration (CCS) will affect groundwater sources. EPA states it continues to make progress on this problem and will process Underground Injection Control permit applications for experimental CCS sites and evaluate the results of these pilot programs before commercial CCS can develop. We are very concerned, however, that EPA has not thought through the liability concerns that attach to potential storage activities and urge the Agency to sort these matters out promptly.

Brownfields

While we do not see mention of it in the President's budget, we wish to express our support for grants and other activities related to brownfields cleanups. This program should be reauthorized, and we hope the President will show leadership in calling for its unamended reauthorization. We also support STAG funding out of concern for the need to remediate and redevelop petroleum-contaminated brownfields and urge EPA to make those cleanups a high priority within its brownfields program.

Superfund

We are concerned about protecting people through quality cleanups, not merely high numbers of actions, or promises of new taxes. The Committee's Republicans recognize the need for the EPA to continue to expedite and accelerate the pace and progress of cleanups within Superfund and support appropriate allocation of resources to accomplish this goal. We urge protective and prudent remedial actions to accomplish Superfund projects rather than shoddy but statistically significant site cleanups.

While we support funding for Superfund, we recognize that 70 percent of responsible parties are paying for cleanup at the sites they polluted. As such, we are very concerned about the new $1 billion tax increase that President Obama's budget unilaterally levies on the petroleum and chemical industry to build up the Superfund trust fund. The enactment of this tax does not ensure that sites are cleaned up any faster, but does require innocent companies to pay for the guilty and polluters to pay twice. Further, we are concerned that the revenues in this fund would be held hostage by the President and congressional appropriators as convenient way to increase Federal spending.

Congress has never funded the Superfund program without the use of money from the General Treasury, and we are concerned that a new tax – when the program is spending approximately 50 cents on the dollar for actual cleanups – will do more to make our standard of living more expensive and drive jobs overseas than it will to make our communities more livable.

We believe that public confidence in Superfund is better achieved by focusing less on taxing and more on reducing administrative and related issues as well as and more on cleaning up toxic waste sites.

Health Care

Medicare

The President's budget proposal establishes a $630 billion reserve fund to finance health care reform. Half of the funds that create this reserve funds are from $316 billion in cuts to Medicare and Medicaid; the largest part of those cuts are to the Medicare Advantage program. The remaining balance of the reserve fund is funded through increasing taxes on homeowners. In total, the President believes even more money will be needed to achieve health reform – he refers to his budget proposal as a "down payment" to this regard. Overall, the biggest problem with the President's budget proposal is that it cuts billions out of the Medicare and Medicaid program, particularly Medicare Advantage, and imposes taxes on middle-income homeowners to create a "reserve fund" for health reform without any details about his plan and how the money would be used to achieve health reform.

With regards to the President's proposed Medicare cuts, it is unclear to the Committee how the Administration would achieve such savings. There has been no detail supplied to the Committee about the policies that would be presented that could result in the projected savings, nor any information about the Administration's budget assumptions regarding the savings. The Committee appreciates that the President has not taken the approach of the Democrat Congress last year to enact strict draconian cuts to the Medicare Advantage payments rates. Such efforts, as included in the CHAMP Act, reflected a desire to undermine the entire Medicare Advantage program, which would have resulted in a loss of access of millions of seniors to their current Medicare Advantage plans. Rather than cuts, the President's proposal applies the concept of competitive bidding to Medicare Advantage plans. The Committee is generally supportive of the concept of competitive bidding as a market tool that provides transparency and quality, and can result in efficient payment by the Medicare. However, it is unclear at this time how competitive bidding of Medicare Advantage would be designed. The Committee is specifically concerned with whether there are robust measure put in place in a competitive bidding model that would ensure continued access by beneficiaries to Medicare Advantage plans, particularly in rural areas.

In addition, Congress has overridden the projected Medicare physician fee schedule payment cut each year for the past several years. In 2010, physicians face a 21 percent reduction in Medicare fee schedule payments followed by a number of cuts projected for several years. The President's budget proposal does not offer any suggestions for addressing this long-term problem in physician payment. The proposal, does, however, assume over $300 billion into the budget baseline to account for an anticipated payment fix. Again, there are no details about the anticipated fix and the budget assumptions used to arrive at this figure. The Committee plans to continue to work to replace the current payment formula that produces yearly cuts with long-term payment reform that will allow for more stable and appropriate payments to physicians and address concerns with the growth in spending in Medicare.

Medicaid

The Medicaid program is a shared responsibility of Federal and State governments to provide medical assistance to low-income individuals, including children, the aged blind, and/or disabled, and people who meet eligibility criteria under the former Aid to Families with Dependent Children (AFDC) program. Others receive Medicaid through waivers and amended State plans with somewhat higher income-eligibility limits. Under the Administration's budget, the Federal share of Medicaid outlays would be $290 billion in FY 2010. This is an $89 billion (44.3 percent) increase over FY 2008 spending. Including the State (nonfederal) funding share, the total cost of the Medicaid program to the American taxpayers is expected to exceed $6.12 trillion over the next 10 years.

We are deeply concerned about the rapid, unsustainable escalation of Medicaid spending proposed in the Administration's budget because we know most States simply cannot afford to sustain this level of growth without significant reductions in spending on education, public safety, and transportation programs. Despite bipartisan calls for fundamental Medicaid reform from elected leaders at the State level, the Administration's budget essentially takes a pass on this issue.

We are concerned about the lack of policy proposals in the Administration's budget that would reduce the unsustainable growth rate of Medicaid spending. The Administration's proposal to "expand availability of family planning services under Medicaid" would only save $10 million over the next five years and the proposal to "ensure appropriate Medicaid payments through the use of National Correct Coding Initiative (NCCI) edits" would only produce $175 million in savings over the same time period. The only remaining Medicaid-specific proposal is to increase the amount of Medicaid rebates paid by prescription drug manufacturers. The Administration projects their proposed rebate increase would generate $8.17 billion in new revenues over the next five years. While we appreciate the Administration's attempt to produce a policy proposal that reduces the rate of Medicaid growth by more than $1 billion, we are concerned that simply increasing the fees pharmaceutical manufacturers pay in order to participate in the Medicaid program will result in a cost shift to all other purchasers of pharmaceuticals and in pharmaceutical manufacturers opting to no longer participate in the Medicaid program, which may result in millions of Medicaid beneficiaries no longer having access to their prescribed medications.

Food and Drug Administration

We support the President's request for additional funds to make food and medical products safer, including the over $1 billion for FDA's food safety efforts. We believe the additional funds for food safety are vital to further securing our food supply. We agree that more funds can be directed towards protecting the safety of our food supply without imposing onerous new taxes on consumers of food.

The President's budget also requests that Congress enact legislation that provides for a pathway for the FDA to approve "generic" biologics. We believe it is important for Congress to enact legislation to allow a pathway for "follow-on" biologics as long as it is done in a way that protects public health and innovation.

National Institutes of Health

The President's budget for FY 2010 includes $6 billion in spending for cancer research at the National Institutes of Health. We are pleased at the President's acknowledgment of the value of research and particularly the devastating effects of cancer. However, we are concerned about how this funding will be distributed. It is important that funds go towards advancing medical research and are prioritized in a manner that furthers scientific goals. The proposed funding increase along with the additional funds appropriated in this year's economic stimulus bill must be spent appropriately on meritorious research projects that will yield true scientific advancement, not on projects designed to advance a political agenda. We strongly encourage increasing funding of the Common Fund, which is recognized as a legitimate and worthwhile funding stream to carry on the trans-NIH research activities at the discretion of the Director.

Telecommunications

The Universal Service Fund and the Anti-Deficiency Act

Legislation signed into law in 2005 exempted the Universal Service Fund (USF) programs from the application of the Anti-Deficiency Act (ADA) until Dec. 31, 2006. Since then, Congress has continued to shield the universal service programs from the ADA with a series of one-year extensions of the exemption. The most recent extension, signed into law March 11, 2009, as part of the Omnibus Appropriations Bill, lasts until December 31, 2009.

The universal service programs should not be exempt from the ADA, which helps maintain fiscal control over spending by requiring government agencies to have funds available before incurring obligations. This Committee has documented troubling waste, fraud, and abuse in the USF programs. The Universal Service Fund has ballooned to over $7 billion a year. The increase is due in large part to rapid growth in the high-cost fund, which has more than tripled to close to $4.5 billion a year from $1.3 billion in 1997. And when the price tag for universal service goes up, American consumers bear the burden. Universal service fees have topped 11 percent of the subscriber's monthly long-distance bill. Exempting the universal service programs from the ADA can only exacerbate the problem. The FCC has also said that compliance with the ADA would not be an obstacle to the continued operation of the fund. We believe that restructuring the Universal Service Fund, and compliance with the ADA, is crucial to ensuring the future health of these programs.

To that end, the Committee is poised to consider comprehensive USF reform legislation this Congress. We believe Congress and the Federal Communications Commission (FCC) should consider various proposals to reform contributions to, and distributions from, the Universal Service Fund, including the use of reverse auctions. We do not support proposals to simply expand the Universal Service Fund to include broadband subsidies. The American Recovery and Reinvestment Act (ARRA) just allocated more than $7 billion for broadband. To issue and invest the money from the ARRA, and then examine the results, will take at least two years. We should use that time to get our USF house in order.

Corporation for Public Broadcasting

The Corporation for Public Broadcasting (CPB) customarily receives an advance appropriation. We are prepared to consider CPB funding in any reauthorization bill as part of the Committee's review of the statutory and programmatic framework for the distribution of funds to public television stations through the CPB.

Digital Television Transition

By the end of January, 2009, approximately 95 percent of television households were already prepared for the February 17, 2009, digital television (DTV) transition and more than 11 million active converter-box coupons were still in circulation, according to data from Nielsen and National Telecommunications and Information Administration. Democrat leadership nonetheless rushed the DTV Delay Act through the Senate and House without holding a single hearing or markup on the legislation in either chamber, and added another $650 million for the transition in the ARRA. We will use any DTV hearings the Committee holds between now and the June 12, 2009, delayed transition date to conduct oversight and hopefully minimize the harm and waste caused by the postponement. There appears to have been little justification for the delay or the expense. For example:

- The original funding in the legislation can cover the cost of 33.5 million redeemed coupons. As of January 29, 2009, 21.7 million coupons had been redeemed, leaving enough money for another 11.8 million.
- Despite the delayed date, approximately one third of the Nation's nearly 1,800 full-power broadcast stations transitioned voluntarily February 17, 2009, with little difficulty for television viewers.
- The $650 million did not become available until March 3, 2009. At that point, only 3.9 percent of television households—representing less than 4.5 million homes—did not have a digital television, cable or satellite service, or a converter box. Simply buying a $50 converter box for each of the remaining homes would have cost $225 million, $425 million less than the money allocated in the stimulus package.

Spectrum Auction Authority and Spectrum License User Fees

The President's budget recommends: 1) assessing spectrum license user fees; 2) indefinitely extending the FCC's auction authority; and 3) auctioning domestic satellite spectrum. We are prepared to consider these proposals, but believe that all telecommunications policy matters, including rules regarding spectrum management, are best determined by the Committee through the normal legislative process. The telecommunications sector carries with it some of the most complex technical and public policy questions that Congress confronts. Crafting sound policy in this area requires a level of expertise that the Committee is best able to provide. Developing a comprehensive and forward-looking spectrum management policy, of which auctions are an essential component, will provide maximum benefit to the American public.

BARNEY FRANK, MA, CHAIRMAN

U. S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

SPENCER BACHUS, AL, RANKING MEMBER

March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

By direction of the Committee on Financial Services, and pursuant to clause 4(f) of rule X of the Rules of the House of Representatives and section 301(d) of the Congressional Budget Act of 1974, I am transmitting herewith a committee print entitled "Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2010." I am also transmitting additional and dissenting views submitted by Members of the Committee.

The Committee approved the print, as amended, on March 12, 2009 by a voice vote.

Should you or your staff have further questions regarding this document, please contact the Committee's General Counsel, Mr. Thomas Duncan, at extension 5-4247.

BARNEY FRANK
Chairman

BF/tgd

Enclosure

cc: The Honorable Spencer Bachus

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2010

Pursuant to clause 4(f) of rule X of the Rules of the House of Representatives, section 301(d) of the Congressional Budget Act of 1974, and section 207(e) of Senate Concurrent Resolution 21, 110th Congress, the Committee on Financial Services is transmitting herewith (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2010; (2) an estimate of the budgetary impact of all legislation which the Committee expects to consider during the coming session; and (3) recommendations for improved governmental performance.

HOUSING AND COMMUNITY OPPORTUNITY

SUMMARY

Department of Housing and Urban Development (HUD) programs provide a critical safety net for our nation's poorest families, seniors, veterans, and disabled persons, foster economic opportunities for low- and moderate-income families, and strengthen urban and rural communities. As the nation's housing and mortgage crisis continues, HUD also plays an increasingly vital role in preventing foreclosures and stabilizing housing markets. The Fiscal Year 2010 HUD budget reverses an eight-year pattern of budgets which propose deep cuts to HUD programs. Instead, the budget proposes an increase of over 18 percent in funding compared to the FY 2009 level, and emphasizes initiatives in important areas such as Section 8 assistance, Community Development Block Grant funding, housing preservation, and energy efficiency. We note that the budget also proposes $1 billion for funding for an Affordable Housing Trust Fund, to finance the development, rehabilitation, and preservation of affordable housing for very low income residents. Finally, the budget proposes funds for HUD to combat mortgage fraud and predatory practices, including increased funding for fair housing enforcement.

FORECLOSURE PREVENTION

Hope for Homeowners

Last year, Congress enacted the Hope for Homeowners program, which was designed to provide Federal Housing Administration (FHA) loans for at risk borrowers, combined with a requirement for existing lenders to write down existing loans to below the home's current market value. Unfortunately, because of statutory provisions which combined excessive fee levels and unnecessary and unduly burdensome restrictions, the program has not been utilized. Congress should enact the necessary changes to reduce excessive fee levels, eliminate unnecessary and burdensome restrictions, and provide increased flexibility to FHA to make program administration as consistent as possible with traditional FHA loans.

Neighborhood Stabilization Program

Congress has appropriated approximately $6 billion in two rounds of funding for the Neighborhood Stabilization Program, designed to provide emergency assistance to state and local governments for the redevelopment of abandoned and foreclosed homes. Congress should monitor the utilization of these program funds to maximize their efficiency and effectiveness, as well as evaluate the capacity of states and nonprofit groups in the deployment and strategic use of these funds.

Housing Counseling

Housing counseling continues to be an integral aspect of foreclosure prevention efforts across the country. Congress should monitor housing counseling efforts, including state, local and nonprofit counseling programs, to determine their effectiveness in mitigating foreclosures in communities. The 2009 Omnibus Appropriations bill contained over $180 million for counseling programs and the American Recovery and Reinvestment Act (ARRA) included $200 million for Neighborhood Stabilization Program "capacity building" which includes counseling. The Committee on Financial Services expects to continue to monitor housing counseling efforts, particularly with respect to funding levels and eliminating predatory or abusive mortgage lending practices.

AFFORDABLE HOUSING CONSTRUCTION

Elderly and Disabled Persons

The HUD Section 202, Supportive Housing for the Elderly and the Section 811 Supportive Housing for Persons with Disabilities programs continue to be an important tool in providing new and affordable housing for the elderly and disabled. The Fiscal Year 2009 Omnibus Appropriations bill, as approved by the House, included a $30 million increase ($765 million) for the Section 202 program as well as a $13 million increase ($250 million) for the Section 811 program. The Committee on Financial Services expects to continue work on legislation to reform and modernize these programs to increase efficiency and preserve the affordability of aging supportive housing developments.

AFFORDABLE RENTAL HOUSING

Section 8 Voucher Program

The budget increases funding for the Section 8 housing choice voucher program, which serves more than 2 million low income families, and emphasizes the need for enactment of voucher reform legislation. While voucher funding formula changes put in place two years ago through the appropriations process have increased voucher usage and efficiency, the enactment of comprehensive authorizing reform legislation, including funding formula, rent, inspection, and other reforms would increase program effectiveness. Therefore, we expect the Committee on Financial Services to work again towards the enactment of the Section 8 Voucher Reform Act (SEVRA). Congress has approved funding for incremental housing vouchers for veterans and disabled persons the last few years. Such efforts should be continued and expanded to fund incremental vouchers for project-based

assistance for new construction and substantial rehabilitation of units serving extremely low income families.

Project-Based Section 8

The recently approved funding of $2 billion in the ARRA for contract renewals for project-based Section 8 units will enable HUD to return to a practice of funding full year renewals of contracts for project-based Section 8 units. This addresses a problem which was beginning to undermine the confidence of owners and lenders in the project-based program and threatening to mire HUD down in administrative backlogs as large numbers of contracts were starting to expire in the first few months of each new fiscal year. This funding will permit Congress and HUD to return to a focus on authorizing and regulatory changes which, when combined with needed additional resources, can address rehabilitation and preservation needs for this important stock of affordable housing.

Public Housing

The recently enacted American Recovery and Reinvestment Act of 2009 approved $4 billion in funding for the Public Housing Capital Fund, which is used to repair and maintain units. Additionally, the both the Public Housing Capital and Operating Funds received increases in the Fiscal Year 2009 Omnibus Appropriations, which has been approved by the House. Under the House bill, the Public Housing Capital Fund is set to receive $2.5 billion, $11 million above 2008. The Public Housing Operating Fund is set to receive $4.5 billion, $255 million above 2008. These funds are crucial for the preservation of units in the affordable public housing stock.

The Omnibus Appropriations bill, as approved by the House, would include a $20 million increase ($120 million) for the HOPE VI program. The Committee expects to continue work on a comprehensive HOPE VI reform bill designed to foster efficiency while increasing tenant protections. The Committee will also examine the role of the prohibition of demolition only grants, one for one replacement requirements and the tenant eligibility standards on the availability of decent and affordable housing program.

McKinney-Vento Homeless Assistance Grants

The McKinney-Vento program is one of the few programs that have received steady funding increases over the last 8 years, and the recently enacted American Recovery and Reinvestment Act provided an additional $1.5 billion to provide immediate assistance to families and individuals at risk of homelessness. Congress very nearly enacted comprehensive reauthorization and reform legislation last year for the McKinney-Vento homeless prevention programs, to provide important changes to make the program more effective. It is important for this legislation to be enacted in the near future.

COMMUNITY AND ECONOMIC DEVELOPMENT

Cities and counties use flexible Community Development Block Grants (CDBG) to meet critical local community development, infrastructure, and affordable housing needs. The Fiscal Year 2010 HUD budget provides full funding for the Community Development Block Grant program at $4.5 billion. In addition,

the Budget reforms the program's formula to better target economically distressed communities.

While the Committee supports the Administration's effort to eliminate ineffective or duplicative programs, the Committee is concerned about the elimination of the Section 108 loan guarantee program. The program-which provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects-has created over 52,000 jobs in communities that are more distressed than those of average CDBG grantees. The Committee believes that its is unlikely that the program's activities will be funded out of the larger CDBG program because the amount of funds needed for Section 108 projects is up to 5 times larger than a jurisdiction's CDBG allocation. The Committee is concerned about the impact the elimination of this program will have on low-income and minority areas, especially at a time when unemployment is increasing and neighborhood conditions are deteriorating.

RURAL HOUSING

The Committee notes that the American Recovery and Reinvestment Act of 2009 included $11 billion in additional funding for the Section 502 single family direct and guaranteed loans programs, which will help to address the recent increase in loan volume resulting from the mortgage crisis. While the Committee notes that the Administration's budget summary does not include a reference to rural housing, we hope that the budget, when released, will place an emphasis on preserving Section 515 multi-family properties, which help to house low and very-low income families. In addition, the Committee will look at how best to address the loan commitment authority of Section 502 programs.

AFFORDABLE HOUSING TRUST FUND

The Housing and Economic Recovery Act of 2008 created the National Housing Trust Fund to finance the development, rehabilitation, and preservation of affordable rental housing for extremely low and very low income residents. HUD is to establish and manage the Trust Fund to provide grants to the states for affordable housing. The Trust Fund was originally to be funded by assessments on Fannie Mae and Freddie Mac. However, these assessments have been suspended given their financial difficulties. The Administration's FY 10 budget restores funding for the Housing Trust Fund by requesting $1 billion.

FEDERAL HOUSING ADMINISTRATION

As private sector lenders have all but disappeared from the single family mortgage markets, FHA has significantly increased its market share from less than 5 percent to more than 20 percent, providing a critical source of affordable mortgage loans for a troubled housing sector. Last Congress, comprehensive legislation was adopted to reform FHA and to increase mortgage limits to make the program viable in higher cost housing markets. Increased delinquencies and foreclosures across the

nation will mean that the financial health of the FHA program needs to monitored, particularly in light of growing FHA loan volume. The Committee will conduct stringent oversight over the impact of programs such as Hope for Homeowners and bankruptcy cram down on the future viability of the FHA insurance fund and Ginnie Mae. At the same time, it is critical that FHA single family mortgage loans continue to be available and affordable, both for the purpose of assisting existing homeowners with refinancing and for providing loan sources for new homebuyers as part of the need to stabilize housing markets. In addition, the Committee will continue to monitor FHA's ability to oversee FHA-approved lenders/licensees, employ appropriate technology and manage its human capital.

SECURITIES AND EXCHANGE COMMISSION

The House-passed omnibus appropriations bill included $943 million as the SEC's funding for FY 2009, 4 percent more than the FY 2008 congressionally approved budget—a significant increase over the past administration's FY 2009 request of $913 million. The Financial Services Committee requested an increase over the FY 2009 administration request to provide the funding necessary to restore staffing in the SEC's enforcement division to FY 2005 levels. This funding request was particularly important given the significant level of turmoil the financial markets continue to face. The allegations against money manager Bernard L. Madoff, who is charged with defrauding individual and institutional investors of billions of dollars, highlights the need for the Commission to have adequate inspections and examination and enforcement programs. Congress must ensure that the Commission is adequately funded and staffed, and that the Commission uses its resources effectively in achieving its mission to protect investors.

A more efficient and technologically proficient inspections and examination program that identifies operational, financial, sales practice violations and other compliance failures well before these problems are referred to the enforcement division should help restore investor confidence in the securities markets. The administration's proposal to boost the SEC's budget by $118 million, or 13 percent over the 2008 level, will permit the agency to strengthen its enforcement and inspections and examination functions. The Committee will explore the Commission's failure to follow up on the various allegations that were made regarding Bernard Madoff and Allan Stanford, the conclusions the Commission has drawn from these incidents, and what changes the Commission is making to ensure that similar lapses do not occur again in order to restore investor confidence.

Over-the-Counter Derivatives and Systemic Risk

The budget also calls for a 44 percent increase in the budget of the Commodity Futures Trading Commission (CFTC). Like the SEC, the CFTC is faced with the continual challenge of maintaining a supervisory capacity that is equal to a constantly innovating industry. As the CFTC budget has grown little in recent years, the significant increase proposed by the Administration is appropriate.

The increase in resources will help the CFTC to implement the limited new authority provided in the 2008 Farm Bill for the CFTC to oversee electronic trading in commodities such as energies and metals only. It should not be used, however, to

create new CFTC-led oversight of the broader over-the-counter (OTC) derivatives market.

The CFTC does not have broad authority with respect to over-the-counter derivative trading, nor does it have authority over the financial markets that underlie derivative instruments. The Committee plans to take up legislation to create a systemic risk regulator with over-arching authority and a mandate to address emerging threats to the financial system. Oversight of the OTC derivative markets should be handled in the context of broader systemic risk regulation.

OFFICE OF THRIFT SUPERVISION

The Committee notes that consumer complaints at the Office of Thrift Supervision (OTS) are handled by 26 full-time equivalent employees (FTEs) at a cost of $4.4 million, an increase from last year when 21 FTEs and $3,664,332 were allocated for this function. As part of its oversight responsibility, the Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

Last year, the Committee expressed its intent that the OTS dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Committee expects that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination workforce at OTS, given that a significant percent of current staff will be eligible for retirement by 2012. OTS has planned to increase staffing to 1095 FTEs in 2009 budget and has experienced a 97 percent retention rate. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce.

The Committee also supports OTS efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Committee notes that consumer complaints are handled through the Customer Assistance Group in Houston, which received 95,000 calls in 2008, of which approximately 37,000 were complaints and 58,000 were inquiries. The projected consumer assistance FTE target for 2009 is the equivalent of 91 FTEs and a budget of $12.1 million, an increase from the 65.5 FTEs and 22 contractors with a $9.1 million budget last year. The Committee supports additional resources and FTEs for this effort. In the exercise of its oversight function, the Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

In 2008, the Office of the Comptroller of the Currency (OCC) spent $93.4 million on their regulatory program, which includes enforcement. In 2009, their estimated spending is $102.3 million. Last year, the Committee expressed its intent that the OCC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Committee expects that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination workforce at OCC. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. The Committee also supports OCC's special authority from the Office of Personnel Management (OPM) to rehire up to 25 FTEs of recently retired bank examiners. The Committee also supports OCC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

FEDERAL DEPOSIT INSURANCE CORPORATION

The Committee notes that consumer complaints are handled by 28 FTEs and $7.2 million is allocated for these functions, a significant increase, due to higher contract costs for the Washington call center, and a reflection of the increased call volume. Last year, 33 FTEs in 2 call centers and $4 million was budgeted for these functions. In 2008, the Federal Deposit Insurance Corporation (FDIC) responded to 6,267 written complaints and 502 inquiries regarding state nonmember institutions. In addition, the FDIC responded to 4,211 calls regarding state nonmember institutions. During 2008, the FDIC received 18,953 written deposit insurance inquiries from consumers and bankers. This activity represents a 360 percent increase over 2007, where the FDIC received 4,125 written deposit insurance inquiries.

In addition to written deposit insurance inquiries, the FDIC received 81,979 telephone inquiries from consumer and bankers during 2008. In contrast, the FDIC replied to 15,899 deposit insurance telephone inquiries for the entire year in 2007. The 2008 activity represents a 415 percent increase over 2007. In the exercise of its oversight function, the Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The FDIC estimates that it will devote approximately $72 million to enforcement of consumer protection laws and regulations in 2009. Last year, the Committee expressed its intent that the FDIC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Committee expects that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination and resolution workforce at the FDIC. The FDIC Board has increased authorized field examiner staffing levels over the last two years and is filling many these new positions in with retired examiners who are being employed under a waiver of dual compensation authority delegated to the FDIC by OPM. Currently, there are 171 re-

employed annuitants employed by the FDIC, primarily in supervision and resolution. The Committee supports this waiver as a means to ensure an experienced workforce to address the emerging problems in the banking industry and to increase supervisory resources available for training new examiners. Furthermore, the Committee supports the FDIC's targeted recruiting of displaced financial services employees with appropriate expertise to meet their hiring goals of 180 additional Financial Institution Specialists this year. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. The Committee also supports FDIC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

The Committee supports continued FDIC efforts to identify small-dollar loan programs that provide an affordable alternative to payday and other high cost loans.

NATIONAL CREDIT UNION ADMINISTRATION

The Committee notes that the National Credit Union Administration (NCUA) established a toll free Central Office Consumer Hotline in July 2007, and that currently 1.5 FTE and $220,000 are dedicated to this Hotline. The agency has also allocated up to 15 staff to this task for high volume periods, specifically to respond to more than ten thousand inquiries regarding credit union share insurance over the past several months. The Committee intends to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The NCUA estimates that it will devote approximately $8 million and 56 FTEs to regulatory enforcement, including the enforcement of consumer protection laws and regulations in 2009. This is an increase from last year, when 45 FTEs and $6.8 million was allocated to these efforts. Last year, the Committee expressed its intent that the NCUA dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. We expect that appropriate resources be dedicated to continuing these efforts.

The Committee is concerned with the sustainability of the examination staffs at the NCUA, as 8 percent of all staff and 26 percent of senior staff are eligible to retire in 2009. Nearly half of the senior staff will be eligible to retire in five years. The Committee supports the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. The Committee also supports NCUA efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

DEBT RELIEF

For many years, this Committee has worked in a bipartisan way on efforts to provide debt relief for the world's poorest countries as an essential component in the

overall effort to help alleviate the desperate poverty and misery that exists in many parts of the world. While forgiving this debt is not sufficient to solve all the problems of poverty in Africa and elsewhere, the Committee continues to evaluate debt relief efforts as a mechanism to alleviate poverty in the developing world.

The Committee's continued commitment to debt relief was evidenced by House passage in the last Congress of the "Jubilee Act for Responsible Lending and Expanded Debt Cancellation," which would expand debt cancellation many low-income countries not covered by existing debt-relief programs, require greater creditor transparency, and prohibit harmful economic and policy conditions.

The Committee supports full funding for all current U.S. commitments to the Highly Indebted Poor Country Initiative (HIPC) Trust Fund, as well as the 2005 Multilateral Debt Relief Initiative (MDRI), to which the U.S. contributes through its annual appropriations to the World Bank's International Development Association (IDA). The Committee notes, however, that the current U.S. approach to financing its MDRI obligations through IDA has the potential to shortchange debt-relief initiatives if the U.S. does not fully fund its regular contributions to IDA on time. Or, if the US goes into arrears to IDA, as currently is the case, current financing terms dictate that any funding the U.S. provides to clear arrears first cover shortfalls in U.S. commitments to IDA, rather than to meet U.S. debt relief commitment to the MDRI.

To address this, the Committee will consider IDA funding requests with an eye towards having the IDA and MIDRI requests treated as separate appropriations.

GOVERNMENT SPONSORED ENTERPRISES

The housing Government Sponsored Enterprises (GSEs) – Fannie Mae, Freddie Mac, and collectively the twelve Federal Home Loan Banks – are among the largest financial institutions in the United States, with more than two trillion dollars of outstanding debt obligations. Fannie Mae and Freddie Mac own or guarantee approximately $5.3 trillion of the $12 trillion in home mortgages outstanding, and the GSEs continue to play a significant role in providing liquidity to financial institutions for mortgage financing, notwithstanding the global credit crisis.

In July 2008, the Housing and Economic Recovery Act of 2008 (HERA) was enacted. This law established, among other things, a new independent agency, the Federal Housing Finance Agency (FHFA), to oversee the GSEs, and endowed the agency with broad supervisory and regulatory powers over operations, activities, corporate governance, safety and soundness, and mission. As a result of the law, funding for the FHFA continues to come from assessments on the GSEs, but those funding levels are no longer part of the appropriations process. HERA also gave the Department of the Treasury standby authority to buy stock or debt in Fannie Mae and Freddie Mac until December 31, 2009.

In February 2009, the President signed into law H.R. 1, the American Recovery and Reinvestment Act of 2009, which extended the increase in the GSE's conforming loan limits that was provided on a temporary basis in the Economic Stimulus Act of 2008. Permitting the GSEs to continue to buy these loans provides critical liquidity to mortgage markets, especially in those areas with greater than average higher housing costs, even as the mortgage and credit markets experience ongoing severe disruptions.

Like many other financial institutions, the GSEs have suffered in current difficult economic environment. Fannie Mae and Freddie Mac began reporting losses in 2008 due to deteriorating credit quality requiring write-downs in the value of their assets, and increasing debt costs resulting in higher expenses. Concerns about the capital positions of Fannie Mae and Freddie Mac in light of these losses caused the FHFA to place those entities in conservatorship in September 2008; continuing losses since then have caused both entities to draw upon the Treasury line of credit authorized by HERA. A number of the Federal Home Loan Banks also have experienced strains and are expected to report fourth quarter 2008 losses. The increased level of government involvement in the GSEs resulted in a decision of the Congressional Budget Office (CBO) to incorporate the transactions of Fannie Mae and Freddie Mac within the federal budget.

The administration also would increase Treasury's potential capital commitment to the GSEs to $400 billion. The administration will not fully incorporate Freddie Mac and Fannie Mae in its budget presentations at this time. That said, the administration has indicated its intention of doing so in the next budget. The difference in treatment by CBO and the Office of Management and Budget will explain, in part, the difference in the agencies' deficit estimates.

The Committee will closely monitor the actions of Treasury and the FHFA in their exercise of authorities granted in HERA, and will provide oversight over the use of the GSEs to mitigate the ongoing credit, housing and foreclosure crises. The Committee also will consider, as a part of its comprehensive review of financial services industry oversight, the purpose, structure and functions of the GSEs, and proposals to improve, consolidate, and reform the GSEs and their ability to maintain and revitalize the mortgage markets.

OFFICE OF INSPECTOR GENERAL, TREASURY, FEDERAL DEPOSIT INSURANCE CORPORATION AND NATIONAL CREDIT UNION ADMINISTRATION

Under current law, the Offices of Inspectors General must conduct a Material Loss Review (MLR) when a federally supervised institution fails and results in a loss to the deposit insurance fund of more than $25 million or 2 percent of the institution's total assets at the time of receivership. This threshold, set 25 years ago, has had the practical effect of preventing the Inspectors General from performing virtually any other functions in this current climate. The inspectors general have requested and we are considering legislation to raise that threshold to a level of between $300 million and $500 million. However, the Committee believes that the inspectors general need more resources, even if this threshold is raised, because we will still want the Inspectors General to review losses below the threshold that present issues of fraud, supervisory problems or reveal patterns of waste or abuse. For example, at the Treasury Inspector General, if the MLR threshold remains at $25 million, they will need 60 additional FTEs, at a cost of $10.5 million to keep pace with their current workload. If the threshold is raised to $500 million, Treasury Office of Inspector General estimates it will need to perform 40 MLRs over the next 2 years and will need 15 additional FTEs. If the threshold were raised to $750 million (which has not been contemplated), Treasury could manage with its current level of FTEs, but would continue to defer all other non-

mandated work, which means that there are significant areas that have not been audited over the last decade. Therefore, the Committee recommends adding 30 FTEs to the Office of Inspector General at the Department of Treasury at a cost of $5 million to ensure that they are able to undertake certain postponed auditing projects. These include: the administration of the public debt, which currently stands at $9 trillion and is expected to increase by a trillion dollars a year for the near term; Financial Management Service's disbursement and benefit delivery systems, which are approximately $1.8 trillion annually; OCC and OTS risk anticipation and mitigation processes and consumer protection issues; and International Assistance Programs, including U.S. initiatives to improve the effectiveness in multilateral development programs.

In addition, the Committee believes that the FDIC's Inspector General would benefit from an additional $7 million to hire full time employees and sufficient contractor resources to permit it to conduct audits on its substantially increased resolution and receivership activity. Based on preliminary data, as of the end of 2008, the number of receiverships had grown to 41, with assets in liquidation totaling $15 billion, reflecting a 46 percent and 1,623 percent change, respectively. Further, if the FDIC's Inspector General were to have these additional resources, it could audit many of the new programs and activities established in response to the economic downturn which pose substantial short- and long-term risk, including reputational risk, to the FDIC, including the implementation of FDIC's loan modification program (piloted at IndyMac and a condition of several large FDIC-facilitated institution sales), the Temporary Liquidity Guarantee Program, the TARP's Capital Purchase Program, and loss share provisions related to resolution and asset disposition agreements.

Similarly, the Office of the Inspector General for the National Credit Union Administration, who has a Material Loss Review threshold of $10 million, is currently performing no audit work. While NCUA has not requested that its threshold be raised, the Committee believes that they should receive additional resources in the amount of $ 750,000 dollars so that they can perform much needed overdue audits. These topics include: NCUA's Asset Management Assistance Center to determine whether it is disposing of assets in the most cost effective manner; Corporate Credit Unions; quality control review process of credit union examinations; whether the examination process adequately assesses third party relationships; and whether examiners consistently apply CAMEL ratings.

The Committee believes these additional resources for these inspectors general are a crucial component of the committee's requirement to ferret out waste, fraud and abuse and make recommendations for improved governmental performance in our budget views and estimates.

MULTILATERAL DEVELOPMENT BANKS

The Committee strongly supports full funding to meet current U.S. obligations at the multilateral development institutions for FY 2010, including the clearance of any outstanding arrears.

The Committee is aware of discussions regarding a possible request for the U.S. to participate in a capital increase for the Inter-American Development Bank (IDB). It is unclear at this time whether the Administration will decide to support

such a capital increase, and if it does, whether such a request would be included in the budget for the next fiscal year. While that decision is considered, Congress will continue to monitor very closely any remedial actions the IDB adopts and implements in response to the recent, significant losses in its investment portfolio, including adoption of a major revision of its current Independent Investigation Mechanism to make it independent, effective, transparent, adequately funded, and readily accessible to affected people. Should a request for a capital increase for the IDB be sent to Congress, Congress will consider the request in the context of whatever structural and active oversight changes the IDB makes with regard to the management of its investment portfolio, and the degree to which the necessary changes to its inspection mechanism have been implemented.

The Committee is aware that the Asian Development Bank (ADB) is also seeking a general capital increase from its donor countries, although it does not appear likely that such a request, if agreed to by the Administration, would be reflected in the Administration's FY10 budget request. If the Administration does send a request to Congress to authorize US participation in an ADB capital increase, the Committee will consider it in the context of the degree to which the ADB's current Safeguard Policy Update exercise preserves, strengthens, or weakens the current social and environmental policies of the institution.

With regard to funding for the 15th replenishment of the World Bank's International Development Association (IDA), the concessionary window for the world's poorest countries, the Committee will consider it in the context of the willingness of the Bank to revise or remove the labor-related indices and the non-wage labor cost index of the World Bank's annual "Doing Business" report.

INTERNATIONAL MONETARY FUND

In November 2008, the Treasury Department sent a legislative request to Congress that would increase the United States' quota in the International Monetary Fund (IMF) as part of a quota reform agreement that was struck by the IMF's member countries earlier in the year. The agreement and legislative request also included a plan to sell a portion of the IMF's gold holdings in order to establish a trust fund that would be the source of the IMF's administrative budget going forward. In the event that the November 2008 request is included in the FY2010 budget request, the Committee will be prepared to consider it and the extent to which it supports broader goals of reforming the IMF and improving its effectiveness in the midst of the current global economic crisis.

EXPORT-IMPORT BANK OF THE UNITED STATES

As a result of changes in the FY2008 budget, the U.S. Export-Import Bank (Exim) now funds its lending operations through fees and earnings and does not receive an annual appropriation. Exim does face an annual limitation on the amount of income it can use to support new lending and the size of its lending portfolio is limited to $100 billion. The Committee will consider the adequacy of the current authorization level for Bank lending as well as other potential constraints on the Bank's ability to play a greater role in filling the gap in trade finance resulting from the credit crisis. The Committee will also closely monitor the Bank's

competitiveness relative to foreign export credit agencies (ECAs), with particular attention to competitiveness with the export credit practices of countries that are not members of the Organization for Economic Co-operation and Development.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The Committee is pleased that the President's fiscal year 2010 budget seeksto expand lending in underserved neighborhoods by doubling funding for the Community Development Financial Institutions (CDFI) Fund. The CDFI Fund has been at the forefront of efforts to address the needs of underserved communities. Combined with the additional funding ($100 million) made available to the CDFI Fund through the American Recovery and Reinvestment Act of 2009, the anticipated fiscal year 2010 appropriations of at least $200 million will enable CDFIs to continue their mission and increase lending to, and investments in, many of the nation's neediest communities that have been hard hit by the current financial crisis.

TERRORISM RISK INSURANCE

The Congress responded to the September 11, 2001 terrorist attacks by enacting the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Extension Act of 2005 (P.L. 109-144) that extended TRIA through December 31, 2007. In response to the continued unavailability of terrorism risk reinsurance in the private market, Congress enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (P.L. 110-160) to extend TRIA through calendar year 2014.

The President's budgets for FY 2004 through FY 2008 did "not include estimates of the timing and magnitude of potential insurance claims under the [TRIA] program. . . . [g]iven the uncertainty surrounding the risk of future terrorist attacks." However, the FY 2009 budget included an estimated Federal cost of providing terrorism risk insurance in the amount of $416 million, supposedly based on how private insurers price such risk. The estimate included in the President's budget for FY 2009 is significantly greater than the projected outlays estimated by the Congressional Budget Office (CBO), raising concerns about the apparent discrepancy in risk calculations. The Committee recognizes that the President's budget for FY 2010 continues to use the assumptions underlying the President's budget for FY 2009 and the Committee renews its concerns regarding the departure from the assumptions used in the President's budgets for FY 2004 through FY 2008. The Committee needs more information to assess the rationale and data associated with the variance in these estimates. The Committee also notes that the President's budget for FY 2010 calls for revisions to the Terrorism Risk Insurance Program (TRIP) and looks forward to learning more about these proposed revisions.

The President's FY 2009 budget allocated 10 FTEs for the administration of the TRIP within the Department of the Treasury. This allocation is consistent with prior years' allocations for the TRIP and the Committee anticipates agreeing with a similar allocation were it to appear in the President's budget for FY 2010.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The National Flood Insurance Program (NFIP) experienced unprecedented claims resulting from the 2005 hurricane season and still carries a debt of approximately $18 billion. The 109th Congress increased the NFIP's borrowing authority successively from $1.5 billion to $20.775 billion. The Committee understands the contractual relationship and legal obligation to meet existing policyholder claim obligations and make interest payments on outstanding debt. Annual interest payments are estimated to be as high as $800 million, sometime representing more than one quarter of the annual revenue of the NFIP. The NFIP estimates that even absent a catastrophic flooding event it may need increased borrowing authority during FY 2010.

In November 2007, the House passed a bill to reform the NFIP and to reauthorize the program for five years past its then-current, September 30, 2008 expiration. If passed the bill would strengthen the NFIP by increasing participation in the program, removing subsidies for certain pre-FIRM properties, strengthening mitigation programs to better protect homes from flooding, authorizing flood map modernization programs to improve risk assessment, and increasing accountability for the NFIP and FEMA in executing the program. In September 2008, and again in March 2009, the Congress passed legislation temporarily reauthorizing the NFIP to allow time for the House and Senate to agree on substantive reforms for the program before the end of FY 2009. In particular, the risk-based pricing reforms contained in both the House and the Senate versions of a long-term reauthorization measure are extremely important to the fiscal integrity of the program.

The Committee is concerned about several reports by the Government Accountability Office (GAO) regarding the NFIP claims process, as well as, the rating methods used by the NFIP. The Committee was encouraged to learn that the President's budget for FY 2009 budget requested 18 additional FTEs to be devoted to addressing the recommendations raised in the several GAO reports released in 2007. Likewise, the Committee anticipates agreeing with similarly increased allocations were they to appear in the President's budget for FY 2010. The Committee will continue to work with FEMA to review the fiscal and operational conditions of the NFIP and to garner better understanding of any additional legislative authority needed to achieve the reforms necessary to ensure the NFIP's continued viability.

FEDERAL RESERVE AND TREASURY DEPARTMENT TRANSPARENCY

The Committee should assess the extent to which appropriated Treasury funds are used to fund the Federal Reserve's temporary funding facilities and assess the impact of Federal Reserve funding facilities on the budget, including whether the GAO should undertake a comprehensive audit of the Federal Reserve, whether the recipients of Federal Reserve funds should be publicized, or other possible measures.

PROTECTING HOME OWNERSHIP

Millions of Americans are struggling to make their mortgage payments every month. This Committee is determined not to make those challenges any greater by imposing increased financial burdens, indirectly or directly, on homeowners or on the cost of homeownership.

MORTGAGE RELIEF FAIRNESS

The majority of Americans are meeting their mortgage obligations and many qualified Americans are obtaining or seeking mortgage relief. This Committee will seek to prevent mortgage loan originators and homeowners who were convicted of mortgage related fraud from obtaining mortgage relief through any program directly or indirectly supported by taxpayer funds or a federally insured institution.

Dissenting Views

The following represents the views of the Republican Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2010.

March 13, 2009

HOUSING AND COMMUNITY OPPORTUNITY

SUMMARY

The President's 2010 budget commits significant amounts to an already ballooning HUD budget. The Obama Administration's $47.5 billion HUD budget request is in addition to the significant HUD funding increases in both the American Recovery and Reinvestment Act of 2009 (ARRA) and the Fiscal Year 2009 Omnibus Appropriations Act. ARRA alone added $13.161 billion to HUD's budget while the 2009 Omnibus contributed almost $38 billion to various housing programs. Many of the programs that will benefit from the funding increases already have billions of dollars in unexpended balances and are plagued by slow spend out rates. The Fiscal Year 2010 HUD budget will add even more to HUD's budget without examining the problems of unexpended balances and slow spend out rates in many of HUD's programs. Furthermore, as described in detail below, a number of the programs to be funded by the President's budget are duplicative or should be reformed to ensure they are run in a cost-effective and efficient manner.

The Republican Members of the Committee remain concerned about program transparency and oversight of eligible entities who receive government funds. For example, the Association of Community Organizations for Reform Now (ACORN) is eligible to receive billions of taxpayer dollars under the President's budget. ACORN qualifies for and receives millions in funding as a HUD-certified housing counselor through HUD's HOME and Community Development Block Grant programs. According to a 2008 analysis conducted by House Republicans, ACORN has received at least $53 million in direct Federal funding since 1994. The group receives millions more from the government through indirect funding from states and cities. At a time of financial distress, Congress should not reward bad actors that illegally manipulate our electoral process. Last Congress, eligibility standards were included in Public Law 110–289, the "Housing and Economic Recovery Act of 2008" (HERA), which barred groups such as ACORN from receiving assistance under the Neighborhood Stabilization Program. ACORN was rendered ineligible for funding through language that prevented any group indicted for Federal election fraud or that hired an individual indicted for Federal election fraud from accessing funds made available through the neighborhood stabilization program. These same safeguards and restrictions should be incorporated in the Administration's budget and be applied across all government programs.

The Republican Members of the Committee believe, as America moves deeper into recession, the last thing our leaders should do is raise taxes and increase spending. The President's FY 2010 budget does both. This is the time to show the American people that the Committee understands the economic pain they are suffering and show them the Committee is willing to tighten our belt. President Obama committed to performing top-down reviews of every government agency and program during the 2008 presidential

campaign. As the Administration embarks on monumental spending increases, the Republican Members of the Committee would remind the Administration of its promise and pledge to support a spending freeze until a top-down review of government agencies and programs is completed.

FORECLOSURE MITIGATION AND CRAM DOWN

President Obama has announced a three-part Homeowner Affordability and Stability Plan to help up to 9 million borrowers. The plan includes (1) a refinancing plan for mortgages owned by Fannie Mae or Freddie Mac; (2) a $75 billion loan modification program; and (3) a commitment of $200 billion to purchase Fannie and Freddie preferred shares. Funding for the modification plan will come from the Troubled Asset Relief Program (TARP) and the Government Sponsored Enterprises (GSEs). While the Republican Members of the Committee understand the need to address the rising foreclosure rate in this country, we are concerned that any government plan must ensure that unscrupulous and irresponsible actors will not be bailed out by the overwhelming majority of working families that have lived responsibly within their means.

The House recently passed H.R. 1106, the "Helping Families Save their Homes Act of 2009," over the objections of a majority of Republicans, which would allow bankruptcy judges to restructure principal residence mortgages that are under threat of foreclosure. Under the bill, bankruptcy courts will be able to reduce (or "cram down") mortgage principal; adjust interest rates; extend maturity dates; disallow creditor claims on mortgages subject to rescission under the Truth in Lending Act; and limit recovery of mortgage-related creditor fees. The Republican Members of the Committee are concerned that H.R. 1106 threatens to undermine recent measures taken to unfreeze credit and will have a detrimental effect on housing. The Standard & Poor's rating agency and others warn that bankruptcy cram downs will cause the securities tied to these loans to lose value and force ratings downgrades for broad classes of mortgage-backed securities (MBS) – requiring banks and insurance companies to increase MBS-associated capital reserves by up to hundreds of billions of dollars. Lenders' increased risk will lead to higher interest rates and down payment requirements throughout the mortgage market.

Hope For Homeowners

Last year, Congress enacted the Hope for Homeowners program, which was designed to provide Federal Housing Administration (FHA) loans for at risk borrowers, combined with a requirement for existing lenders to write down existing loans to below the home's current market value. Since its inception, Members have raised concerns about the effectiveness of the Hope for Homeowners program, and, as predicted, this program has been a failure by virtually every metric. The Committee was told at the time by its sponsors that this legislation would help hundreds of thousands of struggling borrowers with negative equity obtain more sustainable mortgages guaranteed by the FHA. Some six months after its creation, the Hope for Homeowners program has fallen far short of those expectations, receiving some 701 applications and closing on a mere 50 loans. The Congressional Budget Office (CBO) now estimates the program will assist only 25,000 at a cost of $579 million, or just over $23,000 per assisted family. Congress should eliminate this program because it is ineffective, costly and does not maximize the taxpayer's investment in providing foreclosure mitigation to distressed homeowners.

Neighborhood Stabilization Program

Congress has appropriated approximately $6 billion in two rounds of funding for the Neighborhood Stabilization Program, designed to provide emergency assistance to state and local governments for the redevelopment of abandoned and foreclosed homes. Congress should monitor the utilization of these program funds to maximize their efficiency and effectiveness, as well as evaluate the capacity of states and nonprofit groups in the deployment and strategic use of these funds. The Republican Members of the Committee are concerned about the spend out rate of Neighborhood Stabilization funds as well as the perverse incentive the program offers to banks and other lenders to foreclose on troubled borrowers. The Neighborhood Stabilization Program was enacted on July 30, 2008 with a $4 billion initial appropriation. To date, none of these original stabilization funds have been disbursed and yet this Congress authorized approximately $2 billion in additional funding for this program in the Economic Stimulus package. The Republican Members of the Committee remain concerned about the program's transparency and oversight of eligible entities for Neighborhood Stabilization funding, including groups like the Association of Community Organizations for Reform Now (ACORN).

AFFORDABLE HOUSING

National Housing Trust Fund

Created by the Housing and Economic Recovery Act of 2008 (HERA), the Trust Fund was originally to be funded by Fannie Mae and Freddie Mac. Given the GSE's current status in conservatorship, this is not possible and the President has requested $1 billion in funding. The Fund's mission, as stated in the President's FY '10 Budget, is "to finance the development, rehabilitation, and preservation of affordable housing for very low income residents." The Republican Members of the Committee are concerned that the Trust Fund duplicates the efforts of other programs, such as the HOME Investment Partnerships program that is tasked with providing grants to states and local governments to implement strategies designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. Of equal concern is the availability of Trust Fund monies to non-profit groups, such as the Association of Community Organizations for Reform Now (ACORN), which has been implicated in Federal election fraud.

Housing Counseling

The Republican Members of the Committee continue to believe that counseling is an important component of the successful homeownership process. Homebuyer education is the most cost effective way to educate renters and homeowners to help them make informed financial choices and avoid high-risk, high-cost loans that place them at greater risk of foreclosure. However, the Republican Members of the Committee are concerned about funding levels and misuse of housing counseling funds by certain groups. The FY 2009 Omnibus appropriations bill contained over $100 million for counseling programs---$65 million through HUD and $50 million through the Neighborhood Reinvestment Corporation. The Stimulus included $200 million for Neighborhood Stabilization Program "capacity building." The Association of Community Organizations for Reform Now (ACORN), as a HUD-approved counseling agency, could avail itself of these monies.

Housing for the Elderly (Section 202)

Section 202 provides assistance to expand the supply of housing with supportive services for the elderly. The Fiscal Year 2009 Omnibus Appropriations bill, as approved by the House, included a $30 million increase ($765 million) for the Section 202 program. The Republican Members of the Committee will continue to work with the Democratic majority to ensure the viability of this important program. In the 110th Congress, the House passed H.R. 2930, "Section 202 Supportive Housing for the Elderly Act of 2007" under suspension. The bill would allow project sponsors to recover funds due to unexpected project costs and emergencies; delegate capital grant application processing of mixed finance projects to state or local agencies; facilitate the conversion of projects to assisted living facilities; require senior preservation rental assistance contracts to prevent tenant displacement; and extend project sponsorship to national non-profits. The Republican Members of the Committee understand how important it is to reevaluate programs and seek ways to improve their administration and operation. The Republican Members of the Committee are concerned that the Section 202 program currently has an unexpended balance of $4.4 billion. We want to ensure that funds for this program are disbursed as quickly and efficiently as possible to meet the significant housing needs of this most vulnerable segment of our population. We will continue to seek assurances that the mission of the Housing for the Elderly program is not compromised.

Supportive Housing for Persons with Disabilities (Section 811)

The Section 811 program provides assistance to expand the supply of housing equipped with supportive services for persons with disabilities. The FY 2009 Omnibus appropriations bill, as approved by the House, included a $13 million increase ($250 million) for the Section 811 program. In the 111th Congress, the Republican Members of the Committee look forward to working on bipartisan legislation to make the program more cost effective and efficient. The Republican Members of the Committee will monitor the spend-out rates of the Section 811 program, which currently has a $1 billion unexpended balance.

Section 8 Voucher Program

The Administration's budget request would increase funding for the Housing Choice Voucher program for FY 2010. While the details of the funding increases proposed by the Obama Administration have not been provided to the Committee, the FY 2009 Omnibus appropriations bill appropriated $16.8 billion dollars for the program, which was an increase of $341 million over the FY 2008 appropriated levels (P.L. 110-161). The Section 8 housing voucher program is the nation's largest low-income housing assistance program helping over 2 million low-income households, elderly and disabled, secure affordable housing in the private market. The program has grown to replace public housing as the primary tool for subsidizing the housing costs of low-income families and utilizes almost 50 percent of HUD's discretionary budget. Given the growing size of the Section 8 program, it is critical to make improvements in the delivery of housing assistance to families in need. The Republican Members of the Committee continue to believe that our ultimate aim should not necessarily be to expand this program, but instead to reform it to allow Public Housing Agencies (PHAs) to serve more people. This is important not only philosophically, but practically, because the Committee faces a situation of growing waiting lists for Section 8 vouchers without the resources to serve everyone. Also, we believe that the Committee

must encourage Section 8 recipients to move toward self-sufficiency so that the Committee can provide a similar helping hand to those who have patiently waited, in some cases for almost ten years, for assistance.

Homelessness Prevention

The Republican Members of the Committee are committed to addressing the needs of homeless persons and families and looks forward to working to accomplish this goal. We are pleased to see the President's Budget expands homelessness prevention programs for veterans. According to the President's budget summary, the budget will expand "current services to homeless veterans through a collaborative pilot program with non-profit organizations. This pilot will help maintain stable housing for veterans who are at risk of falling into homelessness while helping the Department of Veterans Affairs (VA) to continue providing them with supportive services." The veterans homelessness prevention program was based on H.R. 3329, the "Homes for Heroes" Act, which passed the House on July 9, 2008 with strong bipartisan support.

Public Housing

The FY 2009 Omnibus appropriations bill made available $2.45 billion for the Public Housing Capital Fund through September 2012. The stimulus bill provided $4 billion for the Fund. However, the Capital Fund currently has $7 billion in unexpended balances. ($2 billion in 2008; $1.5 billion in 2007; $1 billion in 2006 and $500 million in 2005.) While these funds have been obligated, the "spend out" rate is very slow. Given the backlog in the pipeline, the Republican Members of the Committee believe there must be an effort to determine why there continues to be large unexpended balances. Furthermore, the FY 2009 Omnibus appropriations bill provided for $20 million of Capital Fund monies to be used to address "crime and drug-related activities" and other emergencies and natural disasters. This initiative resembles the Drug Elimination Program, which was a failed and duplicative initiative, eliminated by the Bush Administration. The Public Housing Operating Fund received $4.5 billion from the 2009 Omnibus, $255 million above 2008 levels.

COMMUNITY AND ECONOMIC DEVELOPMENT (CDBG)

Cities and counties use flexible Community Development Block Grants (CDBG) to meet critical local community development, infrastructure, and affordable housing needs. The Fiscal Year 2010 HUD budget provides full funding for the Community Development Block Grant program at $4.5 billion. In addition, the Budget proposal reforms the program's formula to better target economically distressed communities. In addition to the $4.5 billion from the President's FY 2010 budget, the CDBG program will receive $3.6 billion available through September 2011 from the FY 2009 Omnibus appropriations bill and $1 billion from the Stimulus. The Republican Members of the Committee believe strong oversight of this program will promote transparency and accountability. For example, the Association of Community Organizations for Reform Now (ACORN), a group which has been implicated in numerous cases of Federal election fraud, has received millions of

Federal block grant monies from states and localities, according to a 2008 analysis by the Republican Leader.

RURAL HOUSING

The Republican Members of the Committee note that the American Recovery and Reinvestment Act of 2009 included $11 billion in additional funding for the Section 502 single family direct and guaranteed loans programs, which will help to address the recent increase in loan volume resulting from the mortgage crisis. The Republican Members of the Committee believe that the Committee should continue to monitor the loan commitment authority of Section 502 programs and examine innovative proposals to address potential funding shortfalls in all Rural Housing Service (RHS) single family and multifamily programs.

FEDERAL HOUSING ADMINISTRATION

As private sector lenders have all but disappeared from the single family mortgage markets, the Federal Housing Administration (FHA) has significantly increased its market share from less than 5 percent to more than 20 percent, providing a critical source of affordable mortgage loans for a troubled housing sector. Last Congress, comprehensive legislation was adopted to reform FHA and to increase mortgage limits to make the program viable in higher cost housing markets. Increased delinquencies and foreclosures across the nation will mean that the financial health of the FHA program needs to be monitored, particularly in light of growing FHA loan volume. The Administration must be vigilant in its efforts to weed out the bad actors who seek to use the FHA program and pawn their bad loans off on the American taxpayer. As recently as March 9, 2009, *The Washington Post* reported that many FHA borrowers are defaulting on their loans before they even make their first mortgage payment. *The Washington Post* analysis pointed out that in the past year alone, the number of FHA borrowers who defaulted without making their first payment nearly tripled, far outpacing the agency's overall growth in new mortgages. Given this alarming trend, the Obama Administration must make sure that the program has the tools and technology to handle FHA's increased responsibility. With the increase in loan limits and the recent changes in the FHA reverse mortgage program, sufficient resources must be committed to the program to ensure proper monitoring of FHA-approved lenders/licensees, and to ensure that the program is not being abused by those seeking to take advantage of the American taxpayer.

SECURITIES AND EXCHANGE COMMISSION

The FY 2009 Omnibus appropriations bill included $943 million as the SEC's funding for 2009, 4 percent more than the FY 2008 congressionally approved budget. The allegations against money manager Bernard L. Madoff, who plead guilty to defrauding individual and institutional investors of billions of dollars, highlights the need for the Commission to have adequate resources to fulfill its mission. Congress must ensure that

the Commission is adequately funded and staffed, and that the Commission uses its resources effectively in achieving its mission to protect investors. However, given the SEC's failure in regard to the Madoff fraud and the ongoing investigation by the SEC Inspector General, it would be fiscally irresponsible to significantly increase the Commission's budget without first examining current program efficiencies and without proposing additional program consolidation, elimination, or other savings, including but not limited to returning the functions of the Office of Compliance Inspections and Examinations to the Division of Investment Management and the Division of Trading and Markets. Until the Inspector General releases its report and an examination occurs, a fiscally responsible 4 percent increase, which mirrors the FY 2009 budget increase, would be a sufficient amount to maintain current staffing levels.

FINANCIAL BAILOUT

The budget includes a $250 billion "contingent reserve for further efforts to stabilize the financial system" and indicates that the President anticipates that this reserve would support $750 billion in undefined "asset purchases." The Republican Members of the Committee will reserve judgment on such a vague proposal as it attempts to determine the specific types of actions the Administration is contemplating. We will examine the classes of eligible assets and institutions and also insist that the Administration develop clear guidelines and performance metrics before spending hundreds of billions of dollars. Finally, in evaluating this proposal and other taxpayer-subsidized plans for propping up the financial system, the Republican Members of the Committee will continue to push for an exit strategy that brings an end to the unprecedented government involvement in the private sector.

OFFICE OF THRIFT SUPERVISION

The Republican Members of the Committee note that consumer complaints at the Office of Thrift Supervision (OTS) are handled by 26 full-time equivalent employees (FTEs) at a cost of $4.4 million, an increase from last year when 21 FTEs and $3,664,332 were allocated for this function. As part of its oversight responsibility, we support the Committee's intention to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

Last year, the Committee expressed its intent that the OTS dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Republican Members of the Committee expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination workforce at OTS, given that a significant percent of current staff will be eligible for retirement by 2012. OTS plans to increase staffing to 1,095 full-time employees (FTE's) in the 2009 budget and has experienced a 97 percent retention rate. We support

the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce.

The Committee also supports OTS efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Republican Members of the Committee note that consumer complaints are handled through the Customer Assistance Group in Houston, which received 95,000 calls in 2008, of which approximately 37,000 were complaints and 58,000 were inquiries. The projected consumer assistance FTE target for 2009 is the equivalent of 91 FTEs and a budget of $12.1 million, an increase from the 65.5 FTEs and 22 contractors with a $9.1 million budget last year. The Republican Members of the Committee support additional resources and FTEs for this effort. In the exercise of its oversight function, the Republican Members of the Committee support the Committee's review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

In 2008, the Office of the Comptroller of the Currency (OCC) spent $93.4 million on their regulatory program, which includes enforcement. In 2009, their estimated spending is $102.3 million. Last year, the Committee expressed its intent that the OCC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Republican Members of the Committee expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination workforce at OCC. The Republican Members of the Committee support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. We also support OCC's special authority from the Office of Personnel Management (OPM) to rehire up to 25 FTEs of recently retired bank examiners. The Republican Members of the Committee also support OCC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

FEDERAL DEPOSIT INSURANCE CORPORATION

The Republican Members of the Committee note that consumer complaints are handled by 28 FTEs and $7.2 million is allocated for these functions, a significant increase, due to higher contract costs for the Washington, D.C. area call center, and a reflection of the increased call volume. Last year, 33 FTEs in 2 call centers and $4 million was budgeted for these functions. In 2008, the Federal Deposit Insurance Corporation (FDIC) responded to 6,267 written complaints and 502 inquiries regarding state nonmember institutions. In addition, the FDIC responded to 4,211 calls regarding state nonmember institutions.

During 2008, the FDIC received 18,953 written deposit insurance inquiries from consumers and bankers. This activity represents a 360 percent increase over 2007, where the FDIC received 4,125 written deposit insurance inquiries.

In addition to written deposit insurance inquiries, the FDIC received 81,979 telephone inquiries from consumer and bankers during 2008. In contrast, the FDIC replied to 15,899 deposit insurance telephone inquiries for the entire year in 2007. The 2008 activity represents a 415 percent increase over 2007. In the exercise of its oversight function, we support the Committee's intention to continue its review of the agency's outreach to consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The FDIC estimates that it will devote approximately $72 million to enforcement of consumer protection laws and regulations in 2009. Last year, the Committee expressed its intent that the FDIC dedicate at least $20 million to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. The Republican Members of the Committee expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination and resolution workforce at the FDIC. The FDIC Board has increased authorized field examiner staffing levels over the last two years and is filling many of these new positions with retired examiners who are being employed under a waiver of dual compensation authority delegated to the FDIC by the Office of Personnel Management (OPM). Currently, there are 171 re-employed annuitants employed by the FDIC, primarily in supervision and resolution. We support this waiver as a means to ensure an experienced workforce to address the emerging problems in the banking industry and to increase supervisory resources available for training new examiners. Furthermore, we support the FDIC's targeted recruiting of displaced financial services employees with appropriate expertise to meet their hiring goals of 180 additional Financial Institution Specialists this year. We support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. We also support FDIC efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

The Republican Members of the Committee support continued FDIC efforts to identify small dollar loan programs that provide an affordable alternative to payday and other high cost loans.

NATIONAL CREDIT UNION ADMINISTRATION

The Republican Members of the Committee note that the National Credit Union Administration (NCUA) established a toll free Central Office Consumer Hotline in July 2007, and that currently 1.5 FTE and $220,000 are dedicated to this hotline. The agency has also allocated up to 15 staff to this task for high volume periods, specifically to respond to more than ten thousand inquiries regarding credit union share insurance over the past several months. The Committee intends to continue its review of the agency's outreach to

consumers and tracking of consumer complaints and the degree to which systemic problems are communicated to the examination staff.

The NCUA estimates that it will devote approximately $8 million and 56 FTEs to regulatory enforcement, including the enforcement of consumer protection laws and regulations in 2009. This is an increase from last year, when 45 FTEs and $6.8 million was allocated to these efforts. Last year, the Committee expressed its intent that the NCUA dedicate significant resources to the issuance and enforcement of tough new regulations combating unfair or deceptive acts or practices by financial institutions. We expect that appropriate resources will be dedicated to continuing these efforts.

The Republican Members of the Committee are concerned with the sustainability of the examination staffs at the NCUA, as 8 percent of all staff and 26 percent of senior staff are eligible to retire in 2009. Nearly half of the senior staff will be eligible to retire in five years. We support the continued allocation of sufficient resources to succession planning, training needs, staff recruitment and retention of a diverse workforce. We support NCUA efforts to enhance its training and professional development programs to ensure that the agency has comprehensive, robust and ongoing training for staff on compliance with and enforcement of fair lending laws.

GOVERNMENT SPONSORED ENTERPRISES

The housing Government Sponsored Enterprises (GSEs) – Fannie Mae, Freddie Mac, and collectively the twelve Federal Home Loan Banks – are among the largest financial institutions in the United States, with more than two trillion dollars of outstanding debt obligations. Fannie Mae and Freddie Mac own or guarantee approximately $5.3 trillion of the $12 trillion in home mortgages outstanding, and the GSEs continue to play a significant role in providing liquidity to financial institutions for mortgage financing, notwithstanding the global credit crisis.

In July 2008, the Housing and Economic Recovery Act of 2008 (HERA) was enacted. This law established, among other things, a new independent agency, the Federal Housing Finance Agency (FHFA), to oversee the GSEs, and endowed the agency with broad supervisory and regulatory powers over operations, activities, corporate governance, safety and soundness, and mission. As a result of the law, funding for the FHFA continues to come from assessments on the GSEs, but those funding levels are no longer part of the appropriations process. HERA also gave the Department of the Treasury standby authority to buy stock or debt in Fannie Mae and Freddie Mac until December 31, 2009.

Like many other financial institutions, the GSEs have suffered in the current difficult economic environment. Fannie Mae and Freddie Mac began reporting losses in 2008 due to deteriorating credit quality requiring write-downs in the value of their assets, and increasing debt costs resulting in higher expenses. Concerns about the capital positions of Fannie Mae and Freddie Mac in light of these losses caused the FHFA to place those entities in conservatorship in September 2008; continuing losses since then have caused both entities to draw upon the Treasury line of credit authorized by HERA. A number of the Federal Home Loan Banks also have experienced strains and are expected to

report fourth quarter 2008 losses. The increased level of government involvement in the GSEs resulted in a decision of the Congressional Budget Office (CBO) to incorporate the transactions of Fannie Mae and Freddie Mac within the Federal budget.

The rescue of Fannie Mae and Freddie Mac represented an extraordinary Federal intervention in private enterprise and could become the most expensive in history. As a result of the government's intervention, the GSEs' common and preferred shareholders were substantially diluted, and have lost, at least temporarily, their voting rights and dividends. Further, common shares are first in line to absorb losses, followed by preferred shares, which total $36 billion on a combined basis.

The administration's budget also would increase Treasury's potential capital commitment to the GSEs to $400 billion. Following nearly five months of operating under a Federal conservatorship, Fannie Mae and Freddie Mac executives again find themselves torn between satisfying conflicting missions. Rather than grappling with profit-seeking and serving a public purpose, the GSEs today struggle with aligning the government's efforts to spur housing through lower mortgage costs and taxpayers' fears that they will have to bear the costs of large loan defaults. According to the Congressional Budget Office (CBO), the Federal takeover of Fannie Mae and Freddie Mac has added $200 billion to the Federal deficit, in discounted present value terms. By 2019, CBO expects the GSEs to cost the government $310 billion, but anticipates that number will rise dramatically if the GSEs' level of support does not taper soon or if the mortgage markets fail to stabilize quickly.

INTERNATIONAL MONETARY FUND

In November 2008, the Treasury Department sent a legislative request to Congress that would increase the United States' quota in the International Monetary Fund (IMF) as part of a quota reform agreement that was struck by the IMF's member countries earlier in the year. The agreement and legislative request also included a plan to sell a portion of the IMF's gold holdings in order to establish a trust fund that would be the source of the IMF's administrative budget going forward. In the event that the November 2008 request is included in the FY 2010 budget request, the Republican Members of the Committee will support Committee efforts to consider it and the extent to which it supports broader goals of reforming the IMF and improving its effectiveness in the midst of the current global economic crisis.

EXPORT-IMPORT BANK OF THE UNITED STATES

As a result of changes in the FY 2008 budget, the U.S. Export-Import Bank (Exim) now funds its lending operations through fees and earnings and does not receive an annual appropriation. Exim does face an annual limitation on the amount of income it can use to support new lending and the size of its lending portfolio is limited to $100 billion. The Republican Members of the Committee will support the Committee's consideration of the adequacy of the current authorization level for Bank lending as well as other potential constraints on the Bank's ability to play a greater role in filling the gap in trade finance

resulting from the credit crisis. The Republican Members of the Committee will also support the Committee's close monitoring of the Bank's competitiveness relative to foreign export credit agencies (ECAs), with particular attention to competitiveness with the export credit practices of countries that are not members of the Organization for Economic Co-operation and Development.

TERRORISM RISK INSURANCE

The Congress responded to the September 11, 2001 terrorist attacks by enacting the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Extension Act of 2005 (P.L. 109-144) that extended TRIA through December 31, 2007. In response to the continued unavailability of terrorism risk reinsurance in the private market, Congress enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (P.L. 110-160) to extend TRIA through calendar year 2014.

The President's budgets for FY 2004 through FY 2008 did "not include estimates of the timing and magnitude of potential insurance claims under the [TRIA] program. . . . [g]iven the uncertainty surrounding the risk of future terrorist attacks." However, the FY 2009 Omnibus appropriations bill included an estimated Federal cost of providing terrorism risk insurance in the amount of $416 million, supposedly based on how private insurers price such risk. The estimate included in the President's budget for FY 2009 is significantly greater than the projected outlays estimated by the Congressional Budget Office (CBO), raising concerns about the apparent discrepancy in risk calculations. We recognize that the President's budget for FY 2010 continues to use the assumptions underlying the President's budget for FY 2009 and we renew our concerns regarding the departure from the assumptions used in the President's budgets for FY 2004 through FY 2008. We believe that the Committee needs more information to assess the rationale and data associated with the variance in these estimates. The Republican Members of the Committee also note that the President's budget for FY 2010 calls for revisions to the Terrorism Risk Insurance Program (TRIP) and looks forward to learning more about these proposed revisions.

The FY 2009 Omnibus appropriations bill allocated 10 FTEs for the administration of the TRIP within the Department of the Treasury. This allocation is consistent with prior years' allocations for the TRIP and we anticipate supporting a similar allocation if it appears in the President's budget for FY 2010.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The National Flood Insurance Program (NFIP) is facing serious challenges and needs comprehensive reform to stabilize its long-term finances, according to the Government Accountability Office (GAO). In addition to carrying an $18 billion debt to the Treasury from borrowing to pay flood claims relating to the 2005 hurricanes, the NFIP is not collecting enough premiums to cover the estimated risk of future claims.

Again, according to the GAO, the NFIP, by design, is not actuarially sound. Rates for approximately 25 percent of policies are subsidized, and these are primarily for high-risk structures constructed before the NFIP's flood plain regulations went into effect. Some

policyholders are paying rates that may be only 35 to 40 percent of actuarially-sound rates based on the estimated risk of loss from flooding. Even FEMA's calculations of estimated risk-based rates have been called into question by the GAO.

The Republican Members of the Committee remain concerned about efforts to expand the NFIP to include coverage for windstorms, which would further exacerbate the financial weakness of the program and displace the private insurance market for windstorm coverage. Both the House and the Senate versions of long-term NFIP reauthorization measures passed in the last Congress contained reforms supported by many Members to move the NFIP closer to full-risk pricing. It is important that the Congress move forward with comprehensive reforms to strengthen the NFIP, and avoid misguided efforts that could weaken it, without further delay.

SAVING SMALL BUSINESSES

Small business growth will trigger the nation's economic recovery. As such, the Republican Members of the Committee will not support any legislation or provision in any bill that raises taxes on business development.

STABILIZING THE AMERICAN ECONOMY

Because the country faces some of its most difficult challenges in generations, the Republican Members of the Committee will reject any proposal to raise taxes on families or small businesses, especially during a recession.

PROTECTING HOMEOWNERSHIP

Millions of Americans are struggling to make their mortgage payments every month. The Republican Members of the Committee are determined not to make those challenges any greater by raising taxes on homeowners or homeownership.

RESPONSIBLE SPENDING

The Republican Members of the Committee recommend that no spending authorized by this budget for an affordable housing fund shall be effective except to the extent that the Committee provides for offsetting decreases in spending of the Federal Government, such that the net effect of the provision does not either increase the Federal deficit or reduce the Federal surplus.

LIMITING TAX BURDENS

The Republican Members of the Committee recommend that no spending authorized by this budget for the TARP or a future $750 billion bank bailout shall be effective except to the extent that the Committee provides for offsetting decreases in spending of the Federal Government, such that the net effect of the provision does not either increase the Federal deficit or reduce the Federal surplus.

REFORM WITHOUT MORTGAGING OUR CHILDREN'S FUTURE

The Republican Members of the Committee recommend that no spending authorized to bail out Fannie Mae or Freddie Mac shall be effective except if included in this year's budget. And no spending to bail out the failed GSEs shall be effective except to the extent

that the Committee provides for offsetting decreases in spending of the Federal Government, such that the net effect of the provision does not either increase the Federal deficit or reduce the Federal surplus.

Spencer Bachus

Cedar H. Putn

K Marshall

Lynn Jenkins

Michele Bachmann

Scott Garrett

Christopher Lee

T. McCotter

Ronny Jenkins

Judy Biggert

Earl Pawlen

Shelley Moore Capito

Frank D Lucas

Donald A. Manzullo

Ed Royce

Jeff Moncarling

Additional Views on the Andover Treasury Facility

Preserving jobs for America's workforce is crucial to this Administration and this Congress. The recent passage of the American Recovery and Reinvestment Act and the FY2009 Omnibus appropriations bill paves the way to create and preserve jobs. Given the current state of duress our economy is experiencing, we believe allocating funds to preserve jobs within the federal government and more specifically, for the Department of Treasury, is critical to rebuilding and strengthening America's economy. Throughout the Department, there have been reorganization plans that slash jobs for highly-trained and highly-skilled workers. Specifically, we urge the Budget Committee to allocate funds to retain the 1500 workers currently employed with the Treasury facility in Andover, Massachusetts. The facility is slated to close in September of 2009 as part of a reorganizing plan initiated in 2002. We urge that this decision be postponed until further assessment can be made.

In addition, while a comprehensive review of the original consolidation strategy is undertaken, we believe it is imperative that the Department of Treasury consider all opportunities to bring new work, including auditing Treasury functions, to Andover. The 1500 employees at the Andover facility are highly skilled and trained workers who have dedicated years of service to the Department and the local community. Directing new work to Andover would allow the Treasury Department to retain some of the Service's most experienced and dedicated employees and the vast institutional knowledge they have. Keeping America's workforce working is key to rebuilding our broken economy. We urge the Budget Committee to allocate funds to maintain these jobs associated with the Andover facility and to consider delaying any closure in connection with that facility pending a full reassessment of the need for those employees in light of the recently expanded financial oversight requirements.

Stephen F. Lynch

Barney Frank

Michael E. Capuano

[illegible]

Additional Views on Housing

Section 8
The President's budget increases funding for the Section 8 Housing Choice Voucher program which provides monthly rental assistance. The Section 8 program is the nation's largest low-income housing assistance program, helping over 2 million low-income seniors, disabled individuals, and families secure housing in the private market. The program has grown to replace public housing as the primary tool for subsidizing the housing costs of low-income families and takes up almost 50 percent of HUD's discretionary budget. Given the size of the Section 8 program, it is critical to make improvements in the delivery of housing assistance to families in need.

Any efforts by the Committee to reform the Section 8 Housing Choice Voucher program should include an evaluation of the effectiveness of the program including determinations about the program's ability help renters move toward self-sufficiency. Creating a cycle of dependency burdens the system and exacerbates the already long waiting lists. Additionally, the Committee should evaluate whether or not the program is decentralizing geographic pockets with particularly high levels of poverty in order to avoid the over-concentration of poverty.

Hope VI
Created in 1992 and administered by the Department of Housing and Urban Development, the HOPE VI program provides funds to renovate or demolish existing public housing and replace it with mixed-income housing. Its authorization was set to expire at the end of FY2006, but Congress extended the program through the end of FY2008. While the 110th Congress considered and approved HOPE VI reauthorization legislation, it was not enacted before the end of the 110th Congress.

When considering legislation to reauthorize the Hope VI program, the Committee should consider the effectiveness of the program including the extent to which it can eliminate blighted housing and provide quality, affordable housing. Additionally, the Committee should examine the consequence of displacing families as a result of construction projects and the barriers to access that families face when they seek to move into new buildings.

Rep. Steve Driehaus

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ONE HUNDRED ELEVENTH CONGRESS

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REPUBLICAN CHIEF COUNSEL

March 12, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to clause 4(f) of the Rules of the House of Representatives, I am writing to advise you of the Committee on Foreign Affairs' Majority "Views and Estimates" on the President's Budget for Fiscal Year 2010. As has been the practice of the Committee in the past, the Minority will transmit its own views and estimates.

The Committee strongly recommends that the Concurrent Resolution on the Budget for Fiscal Year 2010 assume no less than the President's request for $51.7 billion in budget authority for Function 150 discretionary programs (excluding food aid and certain other programs, which are not within the jurisdiction of the Foreign Affairs Committee). The Committee believes that the Function 150 Account provides critical funding for a wide range of programs vital to protecting U.S. national security and promoting global stability.

While the request represents a significant increase above the FY2008 Consolidated Appropriations level, including emergency funding requested, for programs within this Committee's jurisdiction, it is a much more modest increase from the total FY2009 expenditures projected by the President based on the amounts contained in H.R. 1105, the Omnibus Appropriations Act, FY2009, and the upcoming request for FY2009 emergency supplemental appropriations. Indeed, a large portion of the increase results from moving programmed funding for Iraq, Afghanistan and certain peacekeeping missions (such as the UN-African Union effort in Darfur) from future emergency funding requests to a more realistic reflection of ongoing costs in FY2010. This change, which you and other members of the Budget Committee have requested, is a much needed increase in transparency of the Budget.

The increase also would also address the vital need to enhance the capacity of the Department of State and the United States Agency for International Development (USAID). As has been noted by members on both sides of the aisle from a variety of committees, we urgently need to address

The Honorable John M. Spratt, Jr.
March 12, 2009
Page Two

fundamental shortages in resources and personnel that are impairing the ability of these agencies to carry out the diplomacy and development pillars of any successful strategy for U.S. national security. Indeed, success in Afghanistan, and our ability to promote stability in other post-conflict situations, will require a substantial increase in the capacity of our civilian agencies. The proposed FY2010 budget is a critical down payment on this needed capacity.

As was the case last year, the proposed FY2010 budget includes funding for several multi-year initiatives with significant bipartisan support. Assistance to key partners critical to a reinvigorated Middle East peace process, including Egypt and our increased commitment for military assistance to Israel, continues to be part of this request. The request also includes resources to build an appropriate funding base for core health and development assistance accounts which have been seriously constrained in recent years, and provides needed increases for HIV/AIDS assistance consistent with the five-year Global HIV/AIDS reauthorization bill enacted last year with strong bipartisan support.

In recent years, the final Concurrent Resolution on the Budget has frequently decreased funding for the 150 Account compared to the President's request. While I recognize that the competing priorities are enormous, I believe it is absolutely critical to provide adequate resources to support U.S. involvement in Afghanistan, to rebuild civilian capacity to fully realize a reinvigorated role for development and diplomacy, and to continue to save the lives of millions of people threatened by HIV/AIDS. For all of these reasons, I strongly urge you to include the President's FY2010 budget proposal of $51.7 billion for function 150 in the House version of the Concurrent Resolution on the Budget for fiscal year 2010.

I hope this letter is useful to the Committee on the Budget in its deliberations.

Sincerely,

HOWARD L. BERMAN
Chairman

HLB:mco

BENNIE G. THOMPSON, MISSISSIPPI
CHAIRMAN

PETER T. KING, NEW YORK
RANKING MEMBER

One Hundred Eleventh Congress
U.S. House of Representatives
Committee on Homeland Security
Washington, DC 20515

March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
House Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, section 301 (d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 et seq.), the Committee on Homeland Security is transmitting herewith to the House Committee on the Budget its views and estimates on all matters within its jurisdiction or functions to be set forth in the budget of Fiscal Year 2010.

I appreciate the opportunity to express the views of the Committee on Homeland Security and its various Members on the President's budget.

Sincerely,

Bennie G. Thompson
Chairman

Enclosure

cc: The Honorable Peter T. King, Ranking Member

BENNIE G. THOMPSON, MISSISSIPPI
CHAIRMAN

PETER T. KING, NEW YORK
RANKING MEMBER

One Hundred Eleventh Congress
U.S. House of Representatives
Committee on Homeland Security
Washington, DC 20515

THE VIEWS AND ESTIMATES OF THE COMMITTEE ON HOMELAND SECURITY ON THE FISCAL YEAR 2010 BUDGET FOR THE DEPARTMENT OF HOMELAND SECURITY

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 *et seq.*), the Committee on Homeland Security (Committee) is transmitting herewith to the House Committee on the Budget its Views and Estimates on matters within its jurisdiction and functions to be set forth in the budget for Fiscal Year (FY) 2010. The Views and Estimates were circulated to all Members of the Committee for their review and comment. While this document reflects the bipartisan views of the Members of the Committee, we note that not all Members necessarily agree with every aspect of the Views and Estimates.

In the absence of a detailed breakdown, by account, of the FY 2010 Department of Homeland Security (DHS) budget request, the Committee is unable to provide comprehensive analysis and reserves the right to supplement this submission. The Committee looks forward to receiving additional details regarding the DHS budget request from the Administration next month, and will further examine the budget request at that time.

OVERVIEW

On February 26, 2009, President Barack Obama submitted the FY 2010 "Budget Blueprint" to Congress. The President requested $42.7 billion in budget authority for the Department of Homeland Security for FY 2010, which the Committee believes will continue to help DHS execute its non-homeland security missions as well as its homeland security missions –deterring, detecting, preparing, and responding to terrorism and natural disasters. The Committee believes that funding DHS at the requested level will support this critical multi-mission department and enhance the ability of DHS to address outstanding departmental management and operational challenges. The Committee is pleased that the President's budget request includes cost-saving mechanisms and that DHS Secretary Janet Napolitano has stated that in order to save taxpayer dollars, she is evaluating changes to fleet management, use of contract employees, employee travel, and the level of cross-training.[1]

[1] The White House. *Press Briefing by Press Secretary Robert Gibbs, Secretary of Homeland Security Janet Napolitano, and Secretary of Agriculture Tom Vilsack.* 4 March 2009, available at

The Committee concurs with the President's budget request and funding enhancement in the four issue areas described in the Budget Blueprint. These areas are: the Nation's Transportation Systems; Cybersecurity and Research and Development; Border Security and Immigration Services; and State Homeland Security Activities. Herein, the Committee would like to highlight 11 homeland security areas that warrant significant support in the DHS budget. They are: (1) border security; (2) surface transportation security; (3) State, local and tribal homeland security grants; (4) Coast Guard and the maritime security fleet; (5) cybersecurity; (6) transportation security technology; (7) the Quadrennial Homeland Security Review; (8) fusion centers; (9) Science and Technology Directorate; (10) Infrastructure Security Compliance Division; and (11) DHS headquarters consolidation project.

BORDER SECURITY

The Committee supports funding to secure our Nation's borders. A successful border security strategy necessitates a combination of personnel, technology, and infrastructure enhancements. The Committee supports the inclusion of $45 million in funds in the Budget Blueprint for the expansion of DHS' exit capabilities at key land ports of entry, but the Committee recognizes that more resources will be necessary to fully implement the US-VISIT program. Additionally, the Committee supports the inclusion of $360 million in the Budget Blueprint to support the approximately 20,000 Border Patrol agents within Customs and Border Protection (CBP). A byproduct of the extensive expansion of the Border Patrol workforce from 10,000 agents in 2000[2] has been a border workforce that requires enhanced training, equipment, and supervision. The Committee recommends that a portion of the funds allocated to CBP also be directed to implement workforce incentives focused on retaining Border Patrol Agents and Customs and Border Protection Officers. Additionally, the Committee urges that funding be provided to support infrastructure and technology enhancements, including the SBI*net* program, along the border. The Committee supports the $720 million allocated for the modernization of border facilities and ports of entry in the American Recovery and Reinvestment Act (P.L. 111-5).

Immigration & Customs Enforcement (ICE)

The Committee notes that the increasing violence along the U.S. border with Mexico over the past year necessitates special attention in the FY 2010 budget of DHS. We have observed that the Mexican government has made an intensive effort to curtail the power of drug cartels within that country and halt the flow of illegal drugs and other illicit goods into the U.S. However, drug cartel-related violence has the potential to "spill over" into the U.S. The smuggling of weapons and cash from the U.S. into Mexico fuels

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http://www.whitehouse.gov/the_press_office/Briefing-by-White-House-Press-Secretary-Robert-Gibbs-3/4/09/. Last accessed on 10 March 2009.

[2] Congressional Research Service. *Border Security: The Role of the U.S. Border Patrol*, 20 November 2008.

the cartel activity. However, in FY 2009, Immigration and Customs Enforcement (ICE), the Federal law enforcement entity with the authority to investigate smugglers who move weapons from the U.S. into Mexico, did not receive adequate funding for the Border Enforcement Security Task Force (BEST) initiative, which is an investigations platform for the Armas Cruzadas [weapons smuggling] and bulk cash smuggling programs. The Committee recommends that these vital ICE operational programs receive adequate funding, including $12 million to create four additional BEST teams. The Committee also supports an increase in funding for the counter-narcotics functions of DHS and the $110 million provided for the E-Verify program in the President's budget request.

The Committee supports the $1.4 billion in the Budget Blueprint for ICE to identify and remove criminal aliens from the United States. ICE has not received a significant staffing increase since the Department was created. In comparison, the Border Patrol has doubled its personnel from 10,000 to nearly 20,000 agents. Therefore, the Committee strongly supports additional staff for ICE to ensure that it can adequately oversee all its programs.

SURFACE TRANSPORTATION SECURITY

The Committee is pleased that the President's Budget Blueprint prioritizes the safeguarding of the Nation's transportation systems. This Committee led efforts to enhance surface transportation security in our Nation's surface transportation systems in the Implementing Recommendations of the 9/11 Commission Act (P.L. 110-53) which authorized billions in appropriations to help improve security for this critical sector.

For FY 2010, the President requests $50 million for 15 new Visual Intermodal Protection Response (VIPR) teams for the Transportation Security Administration (TSA). The Committee believes these new VIPR teams will provide TSA with a greater capacity to enhance the security of rail and mass transit systems by selectively patrolling areas in and around subways, bus stations, and other rail terminals. The Committee strongly supports an increase in the budget authority for TSA with respect to surface transportation security for FY 2010. In FY 2009, just $50 million was provided to TSA for the purposes of surface transportation security inspections, conducting much needed vulnerability and risk assessments, and the continuous development and deployment of a system for the real-time collection of data from tank cars carrying hazardous materials. The Committee also supports adequate funding for TSA to strengthen security of rail systems, including tunnel infrastructure. Additionally, the Committee notes the President's $25 million request for Intermodal Freight Infrastructure Integrated Planning by DHS and the Department of Transportation; however, questions remain about the scope of the endeavor and whether these resources are intended to inform and develop joint-rulemaking, grant standards, or some other deliverable for FY 2010.

STATE, LOCAL, AND TRIBAL HOMELAND SECURITY GRANTS

It is essential that Federal, State, local, and tribal governments continue to build their capacity to address terrorism prevention and emergency preparedness and response.

The Committee is in agreement with the Budget Blueprint on the subject of the need for better coordination between DHS and State, local, and tribal governments and is pleased with recent reports that since 2008 States have been more satisfied with the Department's outreach efforts.[3] For FY 2010, the Committee believes the following homeland security grant programs should at least be funded at the levels set forth herein: the State Homeland Security Grant Program (SHSGP) at $950 million; Urban Area Security Initiative (UASI) at $840 million; and Emergency Management Performance Grants (EMPG) at $315 million. Similarly, the Committee supports funding key DHS grant programs, including the Assistance to Firefighters Grant Program, the Staffing for Adequate Fire and Emergency Response (SAFER) Grant Program, the Port Security Grant Program, the Buffer Zone Protection Program, and the Transit Security Grant Program. The Committee supports adequate funding for Operation Stonegarden. The Committee also recognizes that ensuring interoperability for first responders is a National challenge and supports adequate funding for this priority through critical programs such as Interoperable Emergency Communications Grant Program. The Committee supports increased funding to State, local, and tribal governments to expand their Medical Surge Capacity with the stockpiling and storing of essential supplies.

The Committee supports the $260 million that would be available to help improve information sharing and analysis at the first preventer level. However, the Committee will seek more clarification from the Administration that the funding for this effort would come for the existing homeland security funding grant programs. The Committee recognizes that, across the country, State, local, and tribal authorities are experiencing unprecedented budgetary challenges and some are even being forced to furlough law enforcement officers and other vital first responders. Therefore, to ensure that DHS-provided grants are effectively being applied to prepare for and respond to acts of terrorism, natural disasters, and other emergencies, the Committee supports aggressive oversight by DHS of grant expenditures made by recipients.

Finally, the Committee supports funding for the Citizen Corps Program in order to promote personal and community preparedness for a catastrophic incident. The Committee believes that this program is critical to creating a culture of resilience at all levels throughout the Nation.

COAST GUARD AND THE MARITIME SECURITY FLEET

The Committee supports funding in FY 2010 for the Integrated Deepwater System (Deepwater) – the U.S. Coast Guard's 25-year recapitalization program to modernize the aging and deteriorating fleet of ships and aircraft. The Committee continues to believe that the recapitalization of the Coast Guard's surface and air fleet is absolutely necessary to the both the national security and homeland security of the United States. However, the Committee continues to have reservations about the management and execution of the procurement and acquisition process for Deepwater. The Committee will continue to provide vigorous oversight, monitoring the program's overall

[3] *More States Satisfied with Homeland Security Contacts*, CONG. DAILY, Mar. 10, 2009, at 8.

cost and time-line for acquisition. In FY 2009, Deepwater received $1 billion with $245 million designated for aircraft and $571 million dedicated to surface ships.

CYBERSECURITY

The Committee supports the $355 million sought in the President's budget request to enhance the resiliency of the Nation's public and private cyber infrastructure. More broadly, the Committee supports DHS' role as the Federal government leader in combating cybersecurity threats to the United States. The Committee believes the threat posed by cyber attacks is real and increasing in quantity and complexity. The Committee strongly supports the DHS Office of Cybersecurity and Communications (CS&C), including National Cyber Security Division (NCSD) and the United States Computer Emergency Readiness Team (US-CERT), which are critical to protect our Nation's information networks. As the government develops programs designed to implement the comprehensive National Cybersecurity Initiative, this Committee will closely monitor DHS' efforts and help ensure this vital mission is accomplished.

TRANSPORTATION SECURITY TECHNOLOGY

The Committee supports continued capital investments in aviation and maritime security technology, including the Transportation Security Administration's continued purchase and installation of checked baggage and checkpoint explosives detection systems. The Committee notes that the American Recovery and Reinvestment Act (P.L. 111-5) provided $1 billion in new resources for the purchase and installation of such equipment. The Committee encourages the future development of technologies that balance security with convenience, including investments in those systems that expedite the passenger screening process, and the integration of risk and cost benefit analysis within TSA's Passenger Screening Program (PSP).

In addition, the Committee supports the continued deployment of the Transportation Worker Identification Credential (TWIC) as the Department's standard for a biometrically enhanced identification. The Committee will continue to conduct oversight of the implementation of the TWIC program and is concerned that more progress has not been made with respect to deploying readers at port facilities and on vessels to ensure that the security benefits of these new biometrically-enhanced identification cards are realized. The Committee supports funding for the deployment of TWIC readers in a timely manner.

QUADRENNIAL HOMELAND SECURITY REVIEW

DHS is required to submit the first Quadrennial Homeland Security Review (QHSR) in FY 2010, as required by the Implementing Recommendations of the 9/11 Commission Act (P.L. 110-53). Specifically, the QHSR is to be "a comprehensive examination of the homeland security strategy for the Nation, including recommendations regarding the long-term strategy and priorities for homeland security and guidance on programs, assets, capabilities, budget, policies, and authorities for the

Department."[4] This review will help DHS further align component agencies and personnel along a common path with a set of common core missions.

The Committee strongly supports funding to ensure that DHS will conduct a robust QHSR. The Committee expects that DHS will need significant resources over the $1.65 million appropriated in FY 2009. The Committee views the QHSR as an invaluable tool – if executed properly – for improving the ability of DHS to carry out its missions. The Committee, however, is concerned that the resource plan and staffing levels sought in FY 2009 for the QHSR team are insufficient to ensure that the QHSR is robust and completed on time. The Committee supports additional resources, if sought, in the FY 2010 budget, to allow DHS to devote more staff to the QHSR initiative and meet the December 31, 2009 deadline.

FUSION CENTERS

The Committee is pleased to see the President's interest in fortifying the Nation's intelligence and information sharing system. The Committee supports the emphasis placed on allowing grant recipients to use grant funding for intelligence analysts to support State and local fusion centers as required by Public Law 110-412. The Committee believes it is critical that fusion centers receive the support necessary to detect terrorist threats in a manner that is in accordance with constitutional privacy and civil liberties.

SCIENCE & TECHNOLOGY DIRECTORATE

The Committee urges support for the DHS Centers of Excellence and research and development priorities. The Committee will continue to encourage the Department to increase partnerships with academia and others in the private sector to foster a creative environment for the development and implementation of critical homeland security science and technologies.

The Committee believes the Science and Technology Directorate should focus its budget on the functional areas of Chemical, Biological, Radiological, Nuclear and Explosives detection and response. Critical capability gaps in these areas have been identified by the seven operational components of DHS. In addition, the Committee recognizes the cross-cutting nature of the innovation (high risk/high reward research) and development conducted by the Homeland Security Advanced Research Project Agency, with its High Impact Technology Solutions (HITS) and Homeland Innovated Prototypical Solutions (HIPS) programs. This work is the true core of the research and development effort at DHS. All of these programs are currently funded at approximately $350 million, and the Committee supports at least level funding for FY 2010.

The Committee also supports the work of the Domestic Nuclear Detection Office, and supports continued funding for testing, certification, and deployment of the Advanced Spectroscopic Portal monitor (ASP), as well as full funding for the Securing

[4] "Implementing Recommendations of the 9/11 Commission Act of 2007" (P.L. 110-53)

the Cities initiative. Regarding the ASP program specifically, the Committee continues to support the requirement that the Secretary must certify that ASP provides a "significant increase in operational effectiveness," as required under current law, before full scale procurement. These programs are critical to the national radiation detection architecture, and will help protect the Nation against a terrorist attack utilizing a radiological or nuclear device.

The Committee, in general, supports the biosurveillance activities of the Department and is pleased to see the Administration's interest in pursuing this important aspect of public health security and biodefense. The Committee supports a request for sufficient funding to allow for deployment of the next generation of BioWatch sensors and the execution of other DHS programs, such as the National Bio-Surveillance Integration Center (NBIC). The Committee supports the Department in its effort to achieve participation of other agencies necessary for a fully functioning NBIC. Moreover, the Committee also encourages DHS to look beyond the detection of emerging threats and plan for a broad range of health preparedness and response activities, including, but not limited to, recovery and mitigation that address the acts of bioterrorism, large-scale disease events and agricultural disasters.

INFRASTRUCTURE SECURITY COMPLIANCE DIVISION

The Committee supports the full funding of the Infrastructure Security Compliance Division (ISCD) within the DHS Office of Infrastructure Protection. This Division is responsible for the implementation of the Chemical Facility Anti-Terrorism Standards (CFATS), including the review and approval of thousands of vulnerability assessments and site security plans at critical chemical facilities. Full funding of the ISCD will permit DHS to secure the staffing resources necessary to conduct site inspections to ensure compliance and implementation of CFATS requirements.

DHS HEADQUARTERS CONSOLIDATION PROJECT

Currently, DHS is housed in over 70 buildings located at over 40 separate sites throughout the National Capital Region. The DHS leadership asserts that the lack of physical consolidation creates less than ideal facility protection capabilities and adversely affects communication, coordination, and cooperation across components.[5] Importantly, under the American Recovery and Reinvestment Act (P.L. 111-5), the DHS Headquarters Consolidation project was appropriated $650 million, divided between DHS and the General Services Administration (GSA) for the construction of the headquarters at the St. Elizabeths campus in Anacostia, Washington, DC. This appropriation is in addition to the $100 million provided to DHS for FY 2009 in P.L. 110-329. Upon completion, the leadership, operations coordination, program management, and policy operations of DHS and its components would work, on one secure campus, which will enhance the ability of DHS to execute its multiple vital missions.

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[5] U.S. Government Accountability Office. *Federal Real Property: DHS Has Made Progress, but Additional Actions are Needed to Address Real Property Management and Security Challenges.* GAO-07-658. June 2007.

The Committee notes that the estimated completion benchmark for the DHS headquarters consolidation project is FY 2016 and the total cost is estimated at $3.4 billion. The Committee will continue close oversight of this vital project to ensure that resources are adequate for DHS and GSA to keep pace with the FY 2016 timeline and are expended appropriately, with an eye towards avoiding costly overruns. To that end, the Committee will continue, on a continuing basis, to monitor and assess the progress of this project.

WASTE, FRAUD, ABUSE, AND IMPROVING GOVERNMENTAL PERFORMANCE

Pursuant to section 321 of the FY 2009 congressional budget resolution, S. Con. Res. 70, the Committee will continue its bipartisan commitment to improve the governmental performance of DHS. Specifically, the Committee believes there are opportunities to reduce waste, fraud, and abuse at DHS by (1) improving contracting and acquisitions, (2) enhancing the acquisition workforce; and (3) increasing oversight of grants to States, local, and tribal governments

The Committee is engaged in oversight of the acquisition process at DHS, including a commitment to ensuring contracts are awarded through a fair and open process that complies with Federal rules and regulations, while providing opportunities for small and disadvantaged businesses. For example, the Committee held four hearings[6] examining one of the major acquisition projects for DHS — the SBI*net* program, the technology component of the Secure Border Initiative. The Committee received testimony from a Government Accountability Office (GAO) official that DHS had failed to effectively define requirements and contractors delivering SBI*net* had failed to effectively manage testing, creating a program which was "ambiguous and in continued state of flux."[7] The Committee will continue to vigorously monitor governmental performance in this program in the 111th Congress, especially in light of the appropriation of $100 million for the expedited deployment of border security technology in the American Recovery and Reinvestment Act (P.L. 111-5).

The Committee has dedicated resources to investigate waste, abuse, and mismanagement of DHS contracts as a result of insufficient staffing levels in the acquisition workforce. At a hearing held by the Committee in September 2008, a GAO official stated that it is imperative to develop an acquisition workforce to implement and monitor acquisitions in order to increase procurement oversight and reduce cost overruns, schedule delays, or less than expected performance.[8] Also at that hearing, a DHS official testified about the growth and success of the acquisition intern program that should play a

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[6] Hearings were held by the Committee on Homeland Security in June 2007, "Project 28: The Future of SBInet"; October 2007, "The Future of Border Security: Can SBInet Succeed?"; February 2008, "Project 28: Lessons Learned and the Future of SBInet"; and September 2008, "Mismanagement, Missteps, and Missed Benchmarks: Why the Virtual Fence Has Not Become a Reality".

[7] United States. Cong. House. The Committee on Homeland Security, *Testimony submitted Randolph C. Hite*, 10 September 2008, 110th Cong. 2nd sess.

[8] United States. Cong. House. Subcommittee on Management, Investigations, and Oversight, Committee on Homeland Security, *Testimony submitted John P. Hutton*, 17 September 2008, 110th Cong. 2nd sess.

key long-term role in building the Department's acquisition workforce. The Committee will continue to assist DHS in monitoring development of its acquisition workforce, and will promote the implementation of training and qualifications to ensure workforce development and appropriate assignment to acquisition projects.

Finally, the Committee will continue its efforts to oversee the effectiveness and management of grants to State, local, and tribal governments for homeland security initiatives in the Grant Programs Directorate within the Federal Emergency Management Agency (FEMA). Since FY 2002, Congress has appropriated over $29 billion for homeland security assistance to States, specified urban areas and critical infrastructures (such as ports and rail systems). Due to the significant amount of funding awarded to State, local, and tribal governments over the years, the Committee has deemed it important to monitor grant programs to make certain investments in homeland security are not wasteful or mismanaged. In January 2009, a report by the DHS Office of Inspector General identified areas for improvement in the management of grant programs, including financial reporting, questioned costs, monitoring and oversight, procurement practices, measurable program goals and objectives, needs assessments, and personal property controls.[9] The Committee is committed to supporting DHS and FEMA to implement remedial measures and actions to enhance their management of grant programs.

[9] United States Department of Homeland Security, Office of Inspector General. *Annual Report to Congress on States' and Urban Areas' Management of Homeland Security Grant Programs*, OIG-09-17, January 2008.

BENNIE G. THOMPSON
Chairman

PETER T. KING
Ranking Member

LORETTA SANCHEZ

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U.S. House of Representatives
Committee on the Judiciary

Washington, DC 20515–6216
One Hundred Eleventh Congress

March 13, 2009

The Honorable John Spratt
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

The Honorable Paul Ryan
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt and Ranking Member Ryan:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. §632(d)) and House Rule X, clause 4(f), we are submitting the views and estimates of the Committee on the Judiciary on the President's budget proposal for Fiscal Year 2010. Recognizing that the new Administration's FY 2010 budget proposal is still under development, the Committee bases its views on the Administration's FY 2010 top-line, summary proposal. These views and estimates encompass a broad range of programs within the Judiciary Committee's jurisdiction. We hope that they provide valuable guidance to your Committee as you prepare the budget resolution. We note that, while this document reflects the bipartisan views of the Members of the Committee, some Members may have individual views that are not reflected in this document. Please feel free to contact us or our staffs should you have any questions or concerns.

Sincerely,

John Conyers, Jr.
Chairman

Lamar Smith
Ranking Member

Enclosure

COMMITTEE ON THE JUDICIARY
VIEWS AND ESTIMATES FOR FISCAL YEAR 2010

MANDATORY SPENDING

FEDERAL JUDICIARY

The Committee is acutely aware of the increased workload on the Federal Judiciary and understands that the Judiciary has no control over the number of cases that are filed in the courts - it must handle each case filed - and that it has no flexibility over how quickly it must handle many of these cases.

This lack of flexibility strains the resources of the Federal Judiciary. The strain is particularly severe this fiscal year given current and expected increases in bankruptcy filings caused by the economic downturn, immigration and border enforcement work, court security necessities, infrastructure maintenance efforts and other costs that are crucial to guarantee that those who seek the assistance of the judicial system have access to a fair forum in the most expeditious and safe environment possible. Thus, the Committee supports the appropriations request of $7.04 billion for FY 2010, representing an increase of $561 million or 8.7% over the FY 2009 appropriations level.

The Committee is also concerned about attracting and retaining quality judges in the Federal Judiciary. Therefore, the Committee hopes to move forward with its ongoing efforts to provide fair and adequate salaries for Federal judges balanced by reform to the judicial pension system.

PRIVATE CLAIMS LEGISLATION

The Committee anticipates it will consider private bills for claims against the United States. The Committee believes that $5 million was sufficient in the past several years and believes that this figure, based on an analysis of private claims bills passed by recent Congresses, continues to be sufficient to meet the unanticipated costs associated with private claims legislation.

DISCRETIONARY SPENDING

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

The Administrative Conference of the United States ("ACUS") is a nonpartisan body that makes many cost-saving recommendations which improve the efficiency and efficacy of regulatory law and practice. During the 110th Congress, ACUS was authorized to be appropriated $3.2 million for FY 2009 pursuant to the Regulatory Improvement Act of 2007, Pub. L. 110-290. The recently enacted FY 2009 Omnibus Appropriations Act appropriates $1.5

million. The Committee on the Judiciary recommends that $3.2 million be authorized for ACUS in FY 2010 in accordance with Pub. L. 110-290.

ANTITRUST DIVISION (DOJ)

The President requests $157.788 million for FY 2010, a $7.788 million increase from the FY 2009 enacted level of $150 million. The Committee supports the important work of the Antitrust Division and supports the increase. In light of the importance of the Division's various activities, the Committee encourages the Department to use the increased funding to pursue priorities important to Congress and the American people, such as merger enforcement to preserve competitive market structure and civil non-merger enforcement to deter and remedy anticompetitive business conduct, as well as criminal prosecution of cartel activity.

EXECUTIVE OFFICE FOR U.S. ATTORNEYS (DOJ)

Within each of the 94 Federal districts in the 50 States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico and the Virgin Islands, the U.S. Attorneys are the chief law enforcement representatives of the Attorney General, enforcing Federal criminal law and handling most of the civil litigation in which the United States is involved. The Executive Office, located in Washington, DC, at the Department of Justice, is entrusted with the task of coordinating the efforts of these U.S. Attorneys with the policies and priorities of the Attorney General and supervising their activities.

The FY 2009 Omnibus Appropriations Act allocates $1.836 billion for necessary expenses which was approximately $5 million over the Administration's FY 2009 budget request for U.S. Attorneys ($1.831 billion) and a $88 million increase over the FY 2008 appropriation of $1.748 billion.

The Committee fully appreciates the role of the U.S. Attorneys as the chief law enforcement representatives of the Department of Justice and is committed to ensuring they are given the necessary resources to fulfill their responsibilities.

FOREIGN CLAIMS SETTLEMENT COMMISSION

The Foreign Claims Settlement Commission of the United States ("FCSC") is a quasi-judicial, independent agency within the Department of Justice that adjudicates claims of U.S. nationals against foreign governments, under specific jurisdiction conferred by Congress, pursuant to international claims settlement agreements, or at the request of the Secretary of State. Funds for payment of the Commission's awards are derived from congressional appropriations, international claims settlements, or liquidation of foreign assets in the United States by the Departments of Justice and the Treasury.

There has been little significant change in the operation of the FCSC. The budget request for the FCSC for FY 2009 was $1.8 million and the FY 2009 Omnibus Appropriations Act

provides $1.82 million. This is a slight increase above the $1.6 million appropriated for FY 2008. The Committee recommends that FCSC continue to be adequately funded in FY 2010.

U.S. TRUSTEE PROGRAM (DOJ)

The U.S. Trustee Program is charged with supervising the administration of bankruptcy cases and trustees. Its mission is to protect and preserve the integrity of the U.S. bankruptcy system by regulating the conduct of parties, ensuring compliance with applicable laws and procedures, bringing civil actions to address bankruptcy abuse, securing the just and efficient resolution of bankruptcy cases, and referring bankruptcy crimes for prosecution. The Program is self-funded through user fees paid by participants in the bankruptcy system. The Program's appropriation is offset by fees it collects during the fiscal year. These monies are paid into the U.S. Trustee System Fund. Approximately 55% of the Program's funding is subsidized by quarterly fees paid by Chapter 11 debtors. The remaining 45% of its funding is derived from a portion of filing fees paid to commence bankruptcy cases, interest earnings, and other miscellaneous revenues.

The FY 2009 Omnibus Appropriations Act provides $217.416 million, which reflects an increase of $7.653 million over the prior fiscal year appropriated level of $209.763 million. This increase is principally comprised of adjustments to base consisting of $4.6 million (representing expenditures for a 2.9% pay raise for FY 2009 and a 3.5% annualized pay raise for FY 2008) and $2.7 million for rent. The increase does not include any program enhancements. The Act provides that $160 million of offsetting collections pursuant to 28 U.S.C. § 589a(b) must be retained and used for necessary expenses and remain available until expended. In addition, the Act provides that the sum appropriated from the Fund must be reduced as offsetting collections are received during FY 2009, so as to result in a final FY 2009 appropriation from the Fund estimated at $52.416 million.

The President's top-line budget request for FY 2010 includes a 3.5% increase over the prior year's budget, which in part will be used to combat financial fraud and to investigate mortgage fraud. According to the Justice Department, these funds will provide resources "to protect investors, the integrity of the market, and the federal government's investment of resources in the nation's financial recovery." The Committee supports the requested increase.

OFFICE OF THE INSPECTOR GENERAL (DOJ)

The Office of the Inspector General ("OIG") is an independent office within the Justice Department that is charged with conducting investigations, audits, inspections, and special reviews of Justice Department personnel and programs to detect and deter waste, fraud, abuse, and misconduct, and to promote integrity, economy, efficiency, and effectiveness in Department operations. For FY 2009, the Administration requested and the FY 2009 Omnibus Appropriations Act provides $75.681 million, a $5.08 million increase over the $70.6 million appropriated for FY 2008. The Committee supports the work of the OIG and recommends funding at an appropriate level for FY 2010.

NATIONAL SECURITY DIVISION (DOJ)

The National Security Division was authorized by Congress in the USA PATRIOT Improvement and Reauthorization Act of 2005, Public Law 109-177, which was enacted in 2006. The National Security Division consists of the elements of the Department of Justice (other than the Federal Bureau of Investigation) engaged primarily in support of the intelligence and intelligence-related activities of the United States Government, including: (1) the Assistant Attorney General for National Security, (2) the Office of Intelligence Policy and Review, (3) the counterterrorism section, (4) the counterespionage section, and (5) any other office designated by the Attorney General.

For FY 2010, the Administration proposes $88 million to address the President's highest priority to protect the American people from terrorist acts; funding supports the detection and disruption of terrorists, counterintelligence, cyber security, and other threats against our national security. The Committee supports this request.

GENERAL LEGAL ACTIVITIES (DOJ)

Office of Solicitor General

The Office of Solicitor General supervises and processes all appellate matters and represents the Federal government before the Supreme Court. The FY 2009 Omnibus Appropriations Act allocates $10.44 million for the Office of Solicitor General, which is $560,000 more than the $9.88 million enacted in FY 2008. The Committee considers the work of the Solicitor General an important element of the role played by the Department of Justice and is supportive of ensuring that the Solicitor General's office has sufficient resources to properly fulfill its mission within the Department.

Civil Division

The Civil Division represents the United States, its departments and agencies, Members of Congress, Cabinet officers, and other Federal employees in litigation in State and Federal courts. The scope of the Division's litigation reflects the diversity of government activities. For example, Division cases include the defense of challenges to Presidential actions; national security issues; benefit programs; energy policies; commercial issues such as contract disputes, banking insurance, patents, fraud and debt collection;all types of accident and liability claims; spent nuclear fuel litigation; certain immigration matters; as well as criminal violations of consumer protection laws. Each year, Division attorneys handle thousands of cases that collectively involve billions of dollars in claims and recoveries. The Division litigates significant policy issues, which often rise to constitutional dimensions, in enforcing and defending various Federal programs and actions.

The FY 2009 Omnibus Appropriations Act allocates $270.431 million for the Civil

Division, which represents a $20.317 million increase over the FY 2008 enacted level of $250.114 million.

The Committee considers the work of the Civil Division crucial to the mission of the Department of Justice. The Committee will carefully consider programmatic funding, as well as the general activities of the Division, to insure that it is fully able to perform its mission within the Department.

Environment and Natural Resources Division

The Environment and Natural Resources Division ("ENRD") of the Department of Justice is charged with a wide variety of important activities related to the environment and our nation's natural resources. This includes, for example, litigation concerning the prevention and clean-up of pollution; defense against environmental challenges to Federal programs and activities; the protection, use, and development of national natural resources and public lands; wildlife protection; Indian rights and claims; and the acquisition of private property for Federal use.

The FY 2009 Omnibus Appropriations Act allocates $103.093 million for ENRD, which is slightly more than the $99.365 million enacted for FY 2008 spending. The Committee is supportive of ensuring that ENRD has sufficient resources to properly fulfill its mission within the Department.

Civil Rights Division

The Civil Rights Division of the Department of Justice is the primary institution within the Federal government responsible for enforcing Federal statutes prohibiting discrimination on the basis of race, sex, disability, religion, and national origin. The Division enforces Federal laws prohibiting discrimination in education, employment, credit, housing, public accommodations, voting, and certain federally funded and conducted programs. The Division has eleven sections: Appellate, Coordination and Review, Criminal, Disability Rights, Educational Opportunities, Employment Litigation, Housing and Civil Enforcement, Office of Special Counsel for Immigration Related Unfair Employment Practices, Special Litigation, Voting, and Administrative Management.

The Administration has requested $145 million for the Civil Rights Division for FY 2010, which is an increase from the Bush Administration's request of $123.151 million for FY 2009. The FY 2009 budget request was inclusive of 713 positions and 715 direct full-time employees, of which criminal enforcement represented 100 full-time employees and $13.953 million of the proposed budget, and civil enforcement represented 615 full-time employees and $109.198 million.

As a general matter, the Committee recommends that funding for each section in the Civil Rights Division be increased to a level that ensures it is able to carry out its critical mission of guaranteeing equality under the law.

EXECUTIVE OFFICE FOR IMMIGRATION REVIEW (DOJ)

The Executive Office for Immigration Review ("EOIR") contains the corps of Immigration Judges, the Board of Immigration Appeals ("BIA"), and the Office of Chief Administrative Hearing Officer ("OCAHO"). EOIR presides over administrative immigration hearings such as removal, bond, and employer sanctions proceedings.

The President's budget does not specify the amount within the DOJ budget request dedicated to EOIR for FY 2010. The Bush Administration requested $261.4 million in FY 2009, an increase of $27 million over the enacted FY 2008 spending level. This amount included $10 million from the Southwest Border Enforcement Initiative. The Administration did not request additional full-time personnel for EOIR in FY 2009.

The Committee continues to be concerned about the staffing level for Immigration Judges. Despite the fact that former Attorney General Alberto Gonzales called for hiring additional Immigration Judges as a part of his plan to improve EOIR in 2006, the number of Immigration Judges with regular caseloads has in fact shrank from 218 in 2006 to 210 in 2008.[1] The Committee encourages EOIR to consider whether additional personnel may be necessary in FY 2010 to ensure that it can keep pace with the increased immigration enforcement efforts, so that respondents in removal proceedings receive due process and that potentially dangerous aliens are removed in a timely manner. The Committee recommends that EOIR be funded at a level that will enable it to achieve these goals.

COMMUNITY RELATIONS SERVICE (DOJ)

The Community Relations Service ("CRS") was established under Title X of the Civil Rights Act of 1964 (42 U.S.C. 2000g *et seq.*). Since 1964, CRS has been responsible for the Prevention and Conciliation of Community Disputes Program, which provides conciliation and mediation assistance to communities with the goal of achieving peaceful and voluntary resolution of racial and ethnic conflict. The President's budget does not contain programmatic levels, so it is not yet clear what will be requested for FY 2010. The Bush Administration requested $9.873 million for CRS in FY 2009, an increase of $79,000 from the FY 2008 appropriation of $9.794 million. The FY 2009 Omnibus Appropriations Act provides $9.873 million. The Committee recommends that CRS be funded at a level necessary to achieve its important objectives.

FEDERAL BUREAU OF INVESTIGATION (DOJ)

The Federal Bureau of Investigation ("FBI") is the nation's largest federal law enforcement agency, charged with investigating terrorism, cybercrimes, public corruption, white

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[1] "Improving the Immigration Courts: Effort to Hire More Judges Falls Short," 2008, Transactional Records Access Clearinghouse (TRAC), at http://trac.syr.edu/immigration/reports/189/.

collar crime, organized crime, civil rights violations, and other federal offenses.

The FY 2009 Omnibus Appropriations Act allocates $7.065 billion for the Bureau, which is equal to the Administration's budget request. The FBI's White Collar Crime program is straining to keep pace with a mortgage fraud caseload that has increased by more than 55% since 2003. The Bureau has testified that it currently has more than 1,800 mortgage fraud investigations open, but only 240 agents specifically assigned to mortgage fraud matters. To address this problem, the omnibus bill provides additional resources dedicated to an increase in agents assigned to mortgage fraud. The Committee strongly supports additional resources for FBI agents to investigate not only mortgage fraud, but also other corporate crime and financial institution fraud related to the economic crisis.

U.S. MARSHALS SERVICE (DOJ)

The Marshals Service ("USMS") has varied responsibilities. The USMS administers the Asset Forfeiture Program of the Justice Department; conducts investigations involving escaped federal prisoners and other fugitives; ensures safety at judicial proceedings; assumes custody of individuals arrested by all federal agencies; houses and transports prisoners; and manages the Witness Security Program. The Committee supports funding for the USMS at levels necessary to accomplish its various missions.

BUREAU OF ALCOHOL, TOBACCO, FIREARMS, AND EXPLOSIVES (DOJ)

The FY 2009 Omnibus Appropriations Act provides $1.054 billion for the Bureau of Alcohol, Tobacco, Firearms, and Explosives ("ATF"), which is $26.401 million above the FY 2009 budget request.

For the FY 2010 request, the Committee supports ATF's Project Gunrunner, which is focused on reducing the flow of firearms being trafficked to Mexican Drug Trafficking Organizations. The Committee notes the $10 million allocation to Project Gunrunner in the Recovery Act and supports additional funding. The Committee also continues to support ATF funding to enhance and expand its capability to prevent and disrupt traffickers of contraband cigarettes and other tobacco products. Resources are needed to establish tobacco enforcement teams and to create a robust tobacco enforcement division. Through contraband tobacco trafficking interdiction efforts, ATF reduces the loss of tax revenues to federal, state and local governments.

DRUG ENFORCEMENT ADMINISTRATION (DOJ)

The Drug Enforcement Administration ("DEA") is the lead federal agency tasked with reducing the illicit supply and abuse of narcotics and drugs through drug interdiction and seizing of illicit revenues and assets from drug trafficking organizations. The FY 2009 Omnibus appropriations bill allocates $1,939,084,000 for the DEA, which is $2,500,000 above the FY 2009 budget request. The Committee recommends funding at an appropriate level for FY2010.

FEDERAL BUREAU OF PRISONS

The Federal Bureau of Prisons ("BOP") is responsible for confining Federal offenders in prisons and community-based facilities. For FY 2009,$5.6 billion has been proposed for the administration, operation, and maintenance of Federal penal and correctional institutions. The Committee notes that BOP staffing levels, specifically those for correctional officers, have decreased significantly over the last eight years and the Committee would support an additional $300 million to increase staffing to a level that would provide safe and secure environments inside BOP facilities. The Committee also continues to support the Federal Prison Industries program efforts to provide jobs and job skills to BOP offenders.

OFFICE OF JUSTICE PROGRAMS (DOJ)

Community-Oriented Policing Services

Community-Oriented Policing Services ("COPS") is an important tool in the effort to fight crime. Implemented in 1994, COPS focuses on local strategies to fight crime and has been praised by Federal, state, and local law enforcement and political officials. The COPS program was created by Title I of the Violent Crime Control and Law Enforcement Act of 1994 (Pub. L. 103-322). The Violence Against Women and Department of Justice Reauthorization Act of 2005 (Pub. L. 109-162) reauthorized the COPS program through FY 2009 for approximately $1.05 billion per year. According to the COPS program office, it has awarded more than $11.4 billion to over 13,000 law enforcement agencies across the United States since it started awarding grants in 1994.

In contrast to previous years, the FY 2009 request of $4 million for this program was extremely low. The program received a $1 billion allocation through the American Recovery and Reinvestment Plan. Since authorization for the program is set to expire, Congress must reauthorize the program.

The Committee will continue to conduct oversight to ensure that the COPS program is funded at an appropriate level.

Office of Violence Against Women

The Office on Violence Against Women ("OVW") provides national leadership in developing the nation's capacity to reduce violence against women through the implementation of the Violence Against Women Act ("VAWA"). Created in 1995, OVW administers financial and technical assistance to communities across the country that are developing programs, policies, and practices aimed at ending domestic violence, dating violence, sexual assault, and stalking.

The Violence Against Women Act of 2000 and the Violence Against Women and Department of Justice Reauthorization Act of 2005, Pub. L. 109-162, reauthorized the grant

programs created by the original VAWA and subsequent legislation, as well as established new programs.

The Office received a much needed boost of $225 million through the Recovery Act which funded critical programs such as the "Services Training Officers Prosecutors Formula Grant Program" or STOP Program. The FY 2009 Omnibus Appropriations Act provides $416 million for VAWA. The Committee recommends full funding of all the various grants programs under OVW, similar to the $683 million authorized by the VAWA Reauthorization of 2005.

Juvenile Justice

The Juvenile Accountability Block Grant ("JABG") has helped states strengthen their juvenile justice systems. The Committee reauthorized the JABG program with an annual allocation of $350 million through FY 2009. Only $55 million was requested for FY 2009. For FY 2010, the Committee believes it should be reauthorized and funded at the authorized level.

Project ChildSafe is a Federal, state, and local partnership designed to ensure that child safety locks are made available for every handgun in America. Such locks prevent the unauthorized use and inadvertent discharge of firearms. In the past, this program has received support from the Judiciary Committee. The program did not receive funding in FY 2008. The Committee recommends funding at an appropriate level for FY 2010.

Second Chance Act

The President requests $109 million for prisoner reentry programs as part of the budget for the U.S. Department of Justice. Of that budgeted amount, $75 million would be set aside to expand programs authorized by the Second Chance Act. The Committee recognizes the Administration's commitment to re-entry programs which provide counseling, job training, drug treatment, and other transitional assistance to former prisoners. However, given the challenges faced by the re-entry community in the facing of shrinking state and local budget, the Committee recommends full FY 2010 appropriation of $165 million for the Second Chance Act.

Mentally Ill Offender Act

The Mentally Ill Offender Treatment and Crime Reduction Reauthorization and Improvement Act of 2008, signed into law on October 14, 2008, reauthorizes funding for the Adult and Juvenile Collaborations Program grants. The Act authorizes $50 million for each fiscal year for FY2009 through FY2014; however, the FY2009 Omnibus bill appropriates $10 million for the program. The Committee supports funding for the program at the authorized level.

STATE AND LOCAL LAW ENFORCEMENT

Byrne Justice Assistance Grants

The Byrne Justice Assistance Grants ("Byrne JAG") program provides direct grants to states and local communities to fund local drug task forces. It is the only source of Federal funding for multi-jurisdictional efforts to prevent, fight, and prosecute drug-related and violent crime. It funds drug treatment, keeps our communities safe by increasing the number of officers on the street, and gives local law enforcement officers the tools they need to stop the production and distribution of illegal drugs.

With the help of Byrne JAG funding, our state and local law enforcement officers have made tremendous strides in combating illegal drugs. The Byrne JAG grants have been proven to be effective and critical to public safety. In FY 2008, the Byrne JAG program was cut by two-thirds of its amount, receiving only $170.4 million. The American Recovery and Reinvestment Plan allocated $2 billion in funding to the Byrne JAG program and is allocated for use over the next four years. The FY 2009 Omnibus Appropriations Act provides $546 million for the program. The program is authorized at $1.095 billion and the Committee recommends full appropriation for FY 2010.

The Adam Walsh Child Protection and Safety Act was enacted in 2006. Title I of the Act, the Sex Offender Registration and Notification Act (SORNA), established a comprehensive national system for the registration and notification to the public of those offenders. In addition, a number of new grant programs, under Byrne JAG, were also authorized to assist states in improving sex offender registration and related requirements under the Act. States report that a large hurdle to SORNA compliance is the lack of federal funding. The Committee recommends funding the Adam Walsh Act at appropriate levels.

DNA Backlog Elimination

The Committee supports full funding for the Debbie Smith Act, which funds reducing the backlog of DNA evidence in the nation's labs, as well as the Innocence Protection Act (IPA), which funds post-conviction DNA testing. We have been at full or close to full authorization levels for these programs and still have significant backlogs. This technology is crucial and as it is increasingly used, an increasing amount of departments are amassing biological evidence for use in criminal cases. But, using the technology and storing the evidence is costly.

Much biological evidence has been cleared through the President's DNA Initiative over the past few years. As more departments explore the technology and its superiority, however, the backlog has remained level because of the new evidence retained. In FY 2008, $147.4 million was appropriated under the Debbie Smith Act, almost the authorized level of $151 million; $5 million was appropriated for the Innocence Protection Act, the fully authorized level. The FY 2009 Omnibus Appropriations Act provides funding at the fully authorized levels – $151 million for the Debbie Smith Act and $5 million for the Innocence Protection Act. The Committee

recommends future funding at the full authorization level for each initiative.

Services for Victims of Crime

The Victims of Crime Act ("VOCA") Fund was created by Congress in 1984 to provide Federal support to state and local programs that assist victims of crime. The VOCA Fund is derived entirely from fines and penalties paid by offenders at the Federal level - not taxpayer revenues - and is primarily distributed through state formula grants. When the Fund was authorized in 1984, a cap was placed on that amount which could be deposited annually for the first eight years; the cap was lifted in FY 1994 and reinstated in FY 2000. For FY 2008, Congress included a $590 million cap for VOCA Fund grants in the 2008 Consolidated Appropriations Act (Pub. L. 110-161). The Committee supports raising the cap of VOCA funds to $717 million. The Committee also notes and supports the appropriation of $100 million in the Recovery Act for grant funding to be administered by the Department of Justice.

U.S. SECRET SERVICE

The U.S. Secret Service ("USSC") is primarily tasked with two law enforcement functions, handling protection and conducting criminal investigations. Criminal investigation activities encompass financial crimes, identity theft, counterfeiting, and computer fraud. The protection mission covers the President and Vice President, among others. The Secret Service is also responsible for security activities at National Special Security Events (NSSEs), which include the Party Nominating Conventions, as well as international conferences and events held in the United States. In FY2009, the Secret Service received $1 million for NSSE costs. In addition to an appropriate level of funding to cover the core law enforcement missions of the USSC, the Committee supports additional funding for NSSE costs. The Committee also supports additional funding for the Secret Service Electronic Crimes Program. The FY 2009 Omnibus Appropriations Act allocates $100 million for USSC. The Committee supports funding at an appropriate level for FY 2010.

U.S. CUSTOMS AND BORDER PROTECTION (DHS)

The Department of Homeland Security's U.S. Customs and Border Protection ("CBP") is the federal agency principally responsible for the security of the Nation's borders, at and between the ports of entry along the border and at our seaports and airports. The Committee supports CBP's various missions, including the work of Inspectors and Border Patrol Agents who are an essential component of our immigration-enforcement system and serve as a critical shield against those who would enter the U.S. unlawfully.

The President's budget does not contain programmatic levels, so it is not yet clear what will be requested for FY 2010. The President's budget, however, does specifically provide "$45 million for the expansion of an exit pilot at key land ports of entry and other border security priorities." The President's budget also notes that "[f]unding of $368 million within existing

Customs and Border Protection funds support 20,000 Border Patrol agents protecting nearly 6,000 miles of U.S. borders."

The Bush Administration requested $10.9 billion ($9.5 billion in appropriated funds and $1.5 billion in mandatory fee collections) for CBP in FY 2009, an increase of $100 million from the FY 2008 enacted level of $10.8 billion. However, $1.5 billion of the FY 2008 enacted level was "emergency appropriations" funding.

The Committee notes its continuing concern regarding the high rate of attrition for Border Patrol agents and the increasing ratio between new agents and experienced agents who can appropriately manage the new agents. In addition, the Committee remains concerned about the lack of new infrastructure and improvements of Border Patrol facilities. The Committee supports the use of funding for the addition and improvement of Border Patrol facilities. The Committee also supports the use of funds to train border patrol agents on the appropriate and humane treatment of aliens apprehended at the border, as well as on efforts to minimize deaths along the southwest border, and on how to better protect themselves from increasing violence directed against them along the border.

U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (DHS)

U.S. Immigration and Customs Enforcement ("ICE") is the largest investigative arm of DHS. Comprised of several components from the former Immigration and Naturalization Service ("INS"), the U.S. Customs Service, and the Federal Protective Service ("FPS"), the agency combines the investigative, detention, and removal, and intelligence functions of the former INS with the investigative and intelligence functions of the former Customs Service.

The President's budget does not specify the amount within the DHS budget request dedicated to ICE for FY 2010. The President's budget does provide, however, "over $1.4 billion for Immigration and Customs Enforcement programs to ensure that illegal aliens who commit crimes are expeditiously identified and removed from the United States."

The FY 2009 budget request for ICE was $5.7 billion ($5.4 billion in appropriated funds and $312 million in mandatory fee collections). Last year, the Committee observed that the President's request appeared to be a relatively modest increase of $400 million from the FY 2008 enacted level of $5 billion.

The Committee recommends sufficient funding for the comprehensive identification and removal of criminal aliens program, in addition to sufficient funding to prioritize the removal of criminal aliens through the Criminal Alien Program and the Institutional Removal Program.

With respect to the detention of aliens, the Committee supports the continuing improvement in the provision of medical attention and care to detainees. The Committee also continues to support "Alternatives to Detention" programs in appropriate circumstances.

U.S. CITIZENSHIP AND IMMIGRATION SERVICES (DHS)

The United States Citizenship and Immigration Services ("USCIS") administers the immigration service functions described in the Immigration and Nationality Act, such as adjudicating citizenship and immigration applications and petitions.

The President's budget does not contain programmatic levels, so it is not yet clear what will be requested for FY 2010. The Bush Administration requested $2.7 billion ($151 million in appropriated funds and $2.5 billion in mandatory fee collections) in FY 2009 .

The President's budget includes $110 million to fund E-Verify, a $10 million increase over the FY 2009 level and $40 million above the FY 2008 level. The Committee recommends that the increased funding be used to improve E-Verify for U.S. citizens and legal immigrants run through the system.

The FY 2010 budget "also supports strengthening the delivery of immigration services by streamlining and modernizing immigration application processes." The Committee expects that this can be accomplished without another large increase in application fees, such as the June 2007 fee change that increased fees by an average of 69 percent.

The Committee notes with approval the establishment and growth of the Refugee Corps within USCIS and urges that funds be used to further strengthen the Corps in order to process refugee adjudications more expeditiously.

US VISIT

The President's budget allocates "$45 million for the expansion of an exit pilot at key land ports of entry and other border security priorities." The Committee has long supported sufficient funding to meet the entry-exit requirements mandated by Congress in 1996 in order to identify who is entering and exiting the U.S. and how long they stay in the country. It is not clear whether this exit pilot is a part of US VISIT.

OFFICE OF REFUGEE RESETTLEMENT (HHS)

The Office of Refugee Resettlement (ORR) within the Department of Health and Human Services (HHS) provides assistance and services to refugees, asylees, unaccompanied alien children, victims of human trafficking, and certain Amerasian, Cuban, and Haitian immigrants. ORR assists these populations by providing a range of services, including cash and medical assistance, housing assistance, and economic and social integration services.

The President's budget does not contain programmatic levels, so it is not yet clear what will be requested for FY 2010. The Bush Administration requested $628 million for "Refugee and Entrant Assistance" in FY 2009, a decrease of $28 million from what was appropriated in FY 2008. The Committee believes that significant additional funding would be appropriate in FY

2010, especially considering the difficulties the office will face in accomplishing its important missions during the coming fiscal year.

Transitional and Medical Services

Of particular concern to the Committee is the funding level for Transitional and Medical Services ("TAMS") for refugees and other entrants. The FY 2009 request for the TAMS program was $287 million, which was $9 million less than was appropriated in FY 2008.

The TAMS program is essential to meet the economic and medical needs of recently-arrived refugees, asylees, trafficking victims, and certain other vulnerable entrants. The program also serves the purpose of reducing costs to the federal government by helping refugees become employed and self-sufficient within a few months of arrival to the United States. Under the Voluntary Agency (Matching Grant) and Wilson-Fish programs, individual refugee resettlement agencies and several states divert refugees and other entrants from welfare dependency by providing intensive services that help refugees quickly become self-sufficient. The Matching Grant Program in particular has proved to be an efficient vehicle for assisting refugees attain economic self-sufficiency without accessing public cash assistance. The program has increased the number of refugees who have become economically self-sufficient within 6 months of arrival from 78 percent in CY 2004 to 83 percent in CY 2006. The program also maximizes private contributions, whereby resettlement agencies "match" federal grants with private cash and in-kind contributions on a 2:1 basis, providing an enormous amount of local community involvement in the resettlement process. The Committee believes such programs are essential and cost-effective and should receive increased funding.

The Committee also anticipates that an increased number of persons will be eligible for the above programs in FY 2010 over FY 2009. The Committee notes that the number of asylees and Cuban/Haitian entrants eligible for such programs will likely remain constant in FY 2010, but due to increased efforts by the Administration to improve the infrastructure related to refugee resettlement, refugee admissions will likely be higher than in FY 2009. Indeed, refugee admissions in the first five months of FY 2009 have increased by 60% compared to the same period in FY 2008. The Committee believes this upward trend will continue, resulting in even larger numbers of resettled refugees in FY 2010. Moreover, FY 2010 will also see increased levels of other entrants eligible for TAMS programs, including Iraqis who qualify for Special Immigrant Visas. An increased level of funding will be required to support services for the growing number of eligible persons in FY 2010.

Division for Unaccompanied Alien Children

Also of particular concern to the Committee is the funding level for ORR's Division of Unaccompanied Alien Children (DUCS), which exercises responsibilities for the care and placement of unaccompanied alien children while they are awaiting resolution of questions relating to their immigration status. The Bush Administration requested $114 million in FY 2009, a decrease of $19 million from the amount appropriated in FY 2008.

ORR provided services to over 8,200 unaccompanied alien children in each of the prior two fiscal years. This number is likely to increase significantly in FY 2010, especially considering the recent enactment of The William Wilberforce Trafficking Victims Reauthorization Act of 2008 (Public Law 110-457). This Act strengthens protections for unaccompanied alien children at the border and in the nation's interior, establishing policies and programs to identify child victims of trafficking and to protect all unaccompanied alien children from traffickers and other persons seeking to harm and exploit them. These changes are likely to increase the number of children requiring ORR services. An increase in funding is needed to ensure quality custodial care and services to these children; to increase the use of smaller, child-centered custodial settings that are more appropriate for children; to ensure that sufficient home studies and suitability assessments are performed; and to expand ORR's pro bono legal services program.

STATE CRIMINAL ALIEN ASSISTANCE PROGRAM

The Committee recommends that the State Criminal Alien Assistance Program ("SCAAP"), which was reauthorized in the Violence Against Women and Department of Justice Reauthorization Act of 2005, be funded at the full $950 million authorization in FY2010. The program has been significantly underfunded since its inception under the Violent Crime Control and Law Enforcement Act of 1994.

State and local governments have had to bear an immense fiscal burden as a result of incarcerating criminal aliens. Although control of our nation's borders is a federal responsibility, states and localities are only partially reimbursed for these expenditures. The Committee believes that SCAAP should be adequately funded to assist state and local jurisdictions.

LEGAL SERVICES CORPORATION

The Legal Services Corporation ("LSC") is a non-profit entity established by Federal statute for the purpose of providing financial support for legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance. The FY 2009 Omnibus Appropriations Act would appropriate $390 million to LSC, an overall increase in Federal funding from the FY 2008 appropriation of $350.49 million. LSC continues to be funded at FY 2008 levels under a continuing resolution signed into law on September 30, 2008. The FY 2009 Omnibus Appropriations Act allocates $365.8 million for basic field programs and required audits; $4.2 million for the Office of Inspector General; $16 million for management and grants oversight; and $4 million for technology initiative grants and loan repayment assistance grants.

Pursuant to its independent budgetary authority, however, LSC requests $485.1 million in appropriated funds for FY 2010. The request specifically allocates: $460 million for basic field programs and required audits; $3.5 million for the Office of Inspector General; $17.2 million for management and grants oversight; $3.4 million for technology initiative grants; and $1 million for a loan repayment assistance program. The Committee is supportive of ensuring that LSC has sufficient resources to properly support its work.

OFFICE OF GOVERNMENT ETHICS

The Office of Government Ethics ("OGE") is responsible for providing the overall direction of executive branch policies designed to prevent conflicts of interest and to ensure high ethical standards. For FY 2009, OGE is requesting $13 million, an increase of $1.25 million over the FY 2008 enacted level of $ 11.75 million. The FY 2009 Omnibus Appropriations Act would appropriate $13 million for FY 2009. The Committee recommends that OGE be adequately funded in FY 2010 to fulfill its important functions.

U.S. COMMISSION ON CIVIL RIGHTS

The Commission on Civil Rights was established by the Civil Rights Act of 1957, Pub. L. 85-315, 71 Stat. 634, to serve as a bipartisan, fact-finding agency to investigate and report on the status of civil rights. The Bush Administration requested an increase of $400,000 for FY 2009, to the level of $8.8 million, a $400,000 increase over its appropriation for FY 2008. The Committee will examine the continuing mission of the Commission and its ability to perform core functions in its current configuration and level of funding.

U.S. PATENT AND TRADEMARK OFFICE

As of the time of the writing of these views and estimates, the FY 2010 budget request for the United States Patent and Trademark Office ("USPTO") was not available. However, the USPTO is a user fee funded agency and the Committee supports full-funding of the USPTO and the elimination of any incentive to use agency revenues for non-USPTO purposes. All revenue generated under the fee schedule, adopted as part of the Consolidated Appropriations Act of 2005, is necessary to implement the USPTO 21st Century Strategic Business Plan, including proposed quality initiatives, government initiatives, and enhanced patent processing.

Moreover, the downturn in the economy has negatively affected the USPTO's ability to collect revenue, with fewer applications being filed for new patents and fewer maintenance fees being paid for their granted patents. Thus, now, more than ever, the USPTO needs full access to their revenues.

The Committee believes it is crucial to do everything possible to support the USPTO, reduce the patent backlog, increase patent quality, and make patent and trademark protection available to America's innovators and small business founders, who contribute heavily to the creation of jobs in the United States.

The Committee will continue to work with the House Leadership and the Committee on Appropriations to ensure the end of the practice of user-fee diversion without compromising the ability of the Committee on Appropriations to oversee USPTO activities.

U.S. COPYRIGHT OFFICE

The Copyright Office budget is a separate appropriation in the overall budget for the Library of Congress. The Copyright Office administers the U.S. copyright laws, provides copyright expertise to the Congress and executive branch agencies, and actively promotes international protection for intellectual property created by U.S. citizens. Although the Committee cannot comment specifically on the FY 2010 budget request for the Copyright Office since that request was not publicly available at the time these views were written, the Committee expresses its support for ensuring that the Copyright Office has sufficient resources to properly carry out its work.

STATE JUSTICE INSTITUTE

Congress established the State Justice Institute ("SJI") as a private nonprofit corporation in 1984. Its purpose is to improve judicial administration in state courts. SJI also fosters cooperation with the Federal Judiciary in areas of mutual concern. The Institute accomplishes this goal by providing funds to state courts and national organizations or nonprofits that support state courts.

Since its creation in 1987, the Institute has awarded more than $135 million in grants and scholarships to support more than 1,750 projects. Pursuant to oversight legislation passed in the 107th Congress, the Attorney General, in consultation with the Federal Judicial Center, conducted a review of SJI operations and reported his findings to Congress. The Attorney General concluded that the Institute had been "effective" and had complied with its statutory mission. He further observed that "support for state court innovation and improvement is a federal interest."

Following the Attorney General's report, the 108th Congress reaffirmed its commitment to SJI by passing the State Justice Institute Reauthorization Act of 2004, Pub. L. 108-372, authorizing SJI's operations through FY 2008.

For FY 2010, the Administration requests $5.131 million for SJI, which is $258,000 less than the previous Administration's request for FY 2009, and $1.031 million above the $4.1 million allocated for SJI in the FY 2009 Omnibus Appropriations Act. The Committee supports this request, which will allow the Institute to increase its grants, especially smaller Technical Assistance Grants and Training Grants that allow state courts to address significant issues such as caseload, strategic planning and court procedures, and to provide important training to judges and court personnel.

PRO-IP IMPLEMENTATION

The Committee has determined that intellectual property theft has a major negative impact on the United States economy. To address this problem, the Committee authorized, through the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PRO IP Act, P.L.

110-403), the creation of an Intellectual Property Enforcement Coordinator within the Executive Office of the President, who will chair an interagency intellectual property enforcement advisory committee, coordinate the development of the Joint Strategic Plan against counterfeiting and infringement, and provide other assistance in the coordination of intellectual property enforcement efforts. The Committee supports such sums as may be necessary to carry out this initiative.

Also through the PRO IP Act, the Committee authorized the Department of Justice to dedicate substantial law enforcement resources to tackling intellectual property piracy and counterfeiting. This includes; (1) $25,000,000 for the IP-TIC grants program to fund State or local law enforcement entities (including law enforcement agencies of municipal governments and public educational institutions) for training, prevention, enforcement, and prosecution of intellectual property theft and infringement crimes; (2) $10,000,000 to the Director of the Federal Bureau of Investigation and $10,000,000 to the Attorney General for the Criminal Division of the Department of Justice to investigate and prosecute intellectual property crimes and other criminal activity involving computers; (3) $10,000,000 to be used to provide at least 10 additional FBI agents to support the Computer Crime and Intellectual Property Section of the Criminal Division, at least one additional FBI agent in each Computer Hacking and Intellectual Property Crime Unit, and to ensure that at least two Assistant United States Attorneys are assigned to each Computer Hacking and Intellectual Property Crime Unit; and (4) to ensure the implementation of a regular and comprehensive training program.

The President's budget does not specify what funding will be provided the Intellectual Property Enforcement Coordinator, nor does it specify the amount within the DOJ budget request dedicated to PRO-IP implementation for FY 2010. The Committee supports funding the above authorized programs, as specified under the PRO IP Act.

OVERSIGHT OF GOVERNMENT PERFORMANCE

Since the beginning of the 110th Congress, the Committee on the Judiciary and its subcommittees have undertaken a number of oversight efforts regarding the performance of the Department of Justice and other entities within the Committee's jurisdiction, to promote appropriate law enforcement and administration of justice, as well as to improve government performance. To that end, the Committee has taken a number of actions pursuant to these oversight efforts. Due to the nature of these oversight efforts, the Committee has no additional performance recommendations to the Committee on the Budget at this time.

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March 13, 2009

Rep. John M. Spratt
Chairman
House Committee on the Budget
Room 207, CHOB
Washington, D.C. 20515

Dear Chairman Spratt:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am submitting the views and estimates of the Committee on Natural Resources on the Fiscal Year 2010 budget. Also attached are additional and dissenting views submitted by Ranking Member Doc Hastings. Thank you for your consideration.

With warm regards, I am

Sincerely,

NICK J. RAHALL, II
Chairman
Committee on Natural Resources

cc: Rep. Paul Ryan, Ranking Member, Committee on the Budget
Rep. Doc Hastings, Ranking Member, Committee on Natural Resources

VIEWS AND ESTIMATES OF THE COMMITTEE ON NATURAL RESOURCES FOR FY 2010

INDIAN AFFAIRS

Each year the federal government appropriates funds for Native Americans based on numerous treaties signed between the United States and Indian tribes, as well as statutes passed by Congress, and Supreme Court holdings. In nearly every treaty, Indian tribes gave up lands in return for goods, services, and binding legal agreements that tribes would retain sovereign authority within their reservation boundaries and would receive funds in perpetuity from the federal government.

Indian Health Service

The Administration's FY 2010 budget request for the Indian Health Service (IHS) is more than $4 billion in discretionary budget authority—an increase of more than $675 million from the Administration's FY 2009 budget request. The focus of these funds will be to expand access to health care for American Indians and Alaska Natives (AI/ANs) with the goal of improving health outcomes and promoting healthy Indian communities.

The Committee applauds the President's commitment to this important issue. While the unmet need for health care services in the United States is dire, it is especially so in Indian country and urban Indian communities. A few of the statistics illustrate the startling situation that exists in the United States:

- Native infants have a death rate 40% higher than that of the majority of Americans.
- Native youth are twice as likely to commit suicide.
- Native people battle the highest rates of Type 2 diabetes in the world.
- The life expectancy of Native peoples is five years less than that of other Americans.
- Indian health clinics are outdated with an estimated facility maintenance backlog of $370 million.

After funding programs at a level sufficient to adjust for inflation, the Committee supports increased funding for contract health services, mental health services, alcohol and substance abuses services and urban Indian facilities. In addition, it is essential that Indian country and urban Indian facilities be included in other programs to improve

health care services generally, such as the President's proposed increase to address the shortage of health care workers.

Bureau of Indian Affairs

The Administration's FY 2010 budget request includes an increase of more than $100 million for enhanced law enforcement and education. These funds will strengthen tribal courts, detention centers, and police programs to help protect Indian communities.

The Administration's budget will help combat the fact that less than 3,000 tribal and federal law enforcement officers patrol more than 56,000,000 acres of Indian country. This constitutes less than one half of the law enforcement presence in comparable rural communities nationwide. Indian country also faces a violent crime rate that is nearly twice the national average. Adequately funding tribal courts, detention facilities, and police programs will make Indian country a safer place now and for future generations. The Committee supports the President's request for increased funds for law enforcement and supports additional funding that will help keep Native nations safe.

But more is needed in Indian country. Indian tribes manage their own natural resources yet they are facing a severe funding shortage. The Committee recommends sufficient funding to ensure that tribes are able to conduct basic natural resources management.

In addition, fractionation of trust lands has caused trust management problems in Indian country. For instance, more than 5 million acres of Indian-owned land is unproductive because individual tracts have multiple owners. Adequate funding is needed to assist tribes in consolidating Indian lands so that the land may be put to productive use.

Indian country has the potential to assist the United States in combating global warming and the energy crisis with the development of renewable resources existing on Indian lands. At the same time, developing renewable energy on Indian lands has the potential to help alleviate the average unemployment rate of 26% which exists in Indian country today. In addition to tribal participation in the $50 million requested by the Administration to spur renewable energy projects, the Committee also supports funding for renewable energy programs within the Bureau of Indian Affairs.

INSULAR AFFAIRS, OCEANS AND WILDLIFE

The Territorial Clause of the U.S. Constitution provides the Congress with powers to "dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States..." The enactment of certain federal laws has provided the Secretary of the Interior with the authority to carry out functions to improve the economic and political development of the U.S. territories of the Virgin Islands (USVI), Guam, American Samoa, and the Commonwealth of the Northern

Mariana Islands (CNMI). Congress makes annual appropriations available to the Interior Department's Office of Insular Affairs to assist in their mission to help the aforementioned U.S. territories. Additionally, annual appropriations for three former U.N. Trust Territories of the Pacific Islands, whose political relationship and funding agreements are governed under Compacts of Free Association, are carried out through the Department of the Interior's Office of Insular Affairs.

Administration of Territories

The U.S. insular areas other than Puerto Rico (American Samoa, Guam, the CNMI and the USVI) are provided special assistance through Administration of Territories appropriations. This Department of the Interior account also funds technical assistance to these areas, as well as the three Freely Associated States (FAS): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau (RP).

The Fiscal Year 2009 budget is expected to provide $78.6 million in current appropriations, an amount which is estimated to be $846,000 above the FY 2008 enactment. In general the Committee is pleased by this modest increase in funding. However, the Committee would recommend increasing the Technical Assistance account for FY 2010 to further assist the Office of Insular Affairs (OIA) in implementing private sector economic development and promoting sound financial management practices in the insular governments. Additionally, the Committee feels that OIA should continue to receive additional funding to continue to fund the operations of the CNMI Ombudsman office. The Committee continues to believe that the Ombudsman's office is best situated to assist non-resident guest workers with outstanding claims against CNMI employers, for which there is no other avenue until the extension of U.S. immigration laws to the CNMI comes into effect.

Territorial Assistance

The Office of Insular Affairs is intended to be the Executive Branch's primary agency for matters concerning all of the insular areas other than Puerto Rico. It is charged with providing financial and technical assistance to these areas and it is expected to be an expert on and advocate for them within the Executive Branch.

The Committee continues to acknowledge and support recommendations made by the Interior Department's Inspector General (IG) in 2007 and the Government Accountability Office (GAO) that a more coordinated effort should be made between the OIA and other federal grant-making agencies on issues of common concern relating to insular governments. Some of the ongoing concerns are single audit reports, high-risk designations, and deficiencies in financial management systems and practices.

The technical assistance program is one of OIA's most useful programs because it provides insular governments with relatively small amounts of assistance for projects of all kinds on a discretionary basis. The program allows each government to identify

pressing needs and priorities and develop action plans to mitigate these problems, which OIA then funds. A major focus the program has been to help insular governments to improve the productivity and efficiency of government operations.

The Committee supports an increase to OIA's Technical Assistance account to provide more assistance in helping insular governments establish sound financial management systems, improve accounting systems, and promote stable economic development.

The Pacific Islands Committee (PIC) of the Judicial Council of the Ninth Circuit's assessment of the education and training needs for judges and court personnel benefits the U.S. Territories of Guam, the CNMI, and American Samoa, as well as the freely associated State of Palau. The program strengthens all aspects of each respective judiciary by providing a more competent, stable, and fair judicial system. The Committee strongly agrees with the recommendations of the PIC and supports an increase of funds for this initiative.

The 177 Healthcare Program created under the Compact of Free Association with the Republic of the Marshall Islands (P.L. 99-239), serves the communities from the four atolls of Enewetak, Utrok, Rongelap, and Bikini exposed to fallout from the U.S. thermonuclear weapons testing program in the mid-1950's.

The U.S. Administration has previously taken the position that nuclear compensation issues should be addressed separately from other assistance programs and in the context of the Marshall Island's petition to Congress for additional nuclear claims compensation. Congress has supported a temporary extension of the 177 Healthcare Program. The Committee supports providing funding to continue the 177 Healthcare Program.

For more than two decades, the Close Up Foundation has worked with the Department of the Interior – Office of Insular Affairs to address the civic education needs of insular area communities. The Close Up Insular Areas Program allows students and educators from American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the United States Virgin Islands to participate in Close Up Washington civic education programs. Additionally, the program provides for Close Up staff to work with these communities in funding local civic education programs, providing educational materials, conducting workshops and attending educational conferences on the Islands.

Because the costs of conducting this valuable program have skyrocketed as rising energy prices have dramatically raised the cost of providing airfare, local transportation and food to participants, the Committee supports an increase of funds for this important program.

American Samoa Government Operations

American Samoa, like the other territories, is facing serious economic challenges. The department's own budget justifications acknowledge that the two tuna canneries that account for 80% of the private-sector economy are coming under increasing pressure from changes to international trade and tariff policies and the recent enactment of a federal minimum wage schedule.

The Committee continues to recognize that the American Samoa government is working towards establishing a healthy financial position under the Revised Fiscal Reform Plan and the August 2002 Memorandum of Understanding between Governor Tauese P. Sunia and DOI Deputy Assistant Secretary David B. Cohen. Continued pressures on the local government should be considered in deciding which government, ASG or the U.S., should bear the increased costs in American Samoa's operating budget attributed to inflation or population growth.

Covenant Grants

The law that approved the Covenant that established the political union between the United States and the CNMI committed the federal government to provide the Commonwealth with assistance for government operations, capital and economic development for seven years. It also contemplated further multi-year assistance based upon consultations between representatives of the President and the CNMI Governor prior to the end of every multi-year period. Beginning in Fiscal Year 1992, this law required an amount of $27.72 million be provided annually until another law on the matter was enacted.

In 1996, Public Law 104-134 reduced the annual funding to the CNMI and allocated the remaining funds for use throughout the U.S. insular areas. Each of the territories received funding through this mandatory Covenant appropriation to fund Capital Improvement Projects (CIP). Beginning in Fiscal Year 2005, OIA implemented a competitive allocation system for the $27.72 million mandatory Covenant CIP grants, based on a premise that all funds will be used for capital improvement needs in the U.S. territories. The new process offers the U.S. insular area governments the opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance for local funding that might be available.

The Committee believes that maximum consideration for funding should be given to those governments that are under federal court orders and consent decrees for compliance or violations of federal environmental laws. Additionally, the Committee has growing concerns that a significant amount of CIP funding appropriated in previous fiscal years remains either unspent or unobligated.

Compacts of Free Association

Funding to the FSM, RMI and RP are almost entirely met through permanent indefinite or mandatory appropriations. The Committee supports the President's budget for the mandatory and other federal services requests in accordance with the different negotiated agreements.

The Compact Amendments Act (CAA) (P.L. 108-188) provided mandatory funding for the Enewetak Food and Agriculture Program (EFAP). The Enewetak Atoll was the site for 43 nuclear tests carried out by the United States in the 1950's. Partial resettlement of the Enewetak people has occurred; however, more than half of the atoll remains contaminated by radiation. In Fiscal Years 2005 - 2009, Congress added close to $500,000 more to the mandatory funding provided for in the CAA which has allowed the EFAP to keep up with inflation. The Committee requests the same funding for Fiscal Year 2010 to cover inflationary costs.

Addressing the Impacts of Climate Change on Natural Resources

Federal land, water, fish, and wildlife resources will be vulnerable to a wide range of physical, biological, economic, and social effects as a result of climate change. At the same time, public lands and resources represent some of the best opportunities we have for implementing natural resource adaptation strategies to help mitigate some of those effects. Unfortunately, the policies of the previous Administration have left our federal resource agencies at a significant disadvantage in this effort. Not only do their strategic plans fail to address climate change, but resource managers have limited guidance concerning whether or how to address climate change, are unsure of what actions to take and do not have sufficient site specific information to plan for and address the effects of climate change on the federal resources they manage. Similar challenges are faced by the states. The new Administration's budget proposal includes many provisions that will begin to address these deficiencies.

In particular, the Administration has proposed increased funding of more than $130 million to assist federal land management agencies, states and tribes to perform scientific analyses and monitoring and to update land management and species recovery plans to reflect the impacts of climate change on wildlife and other natural resources they manage. This proposal is strongly supported by the Committee as an important down payment in what will be one of the biggest challenges to natural resource management that federal, state and tribal agencies will face.

U.S. Fish and Wildlife Service

The U.S. Fish and Wildlife Service is the principal federal agency responsible for conserving, protecting and enhancing fish, wildlife, plants and their habitats. The Service manages the 96-million-acre National Wildlife Refuge System, which encompasses 548 national wildlife refuges, 37 wetland management districts and other special management areas. It also operates 70 national fish hatcheries, 64 fishery resource offices and 81 ecological services field stations.

Our fish and wildlife resources provide billions of dollars in benefits to the U.S. economy and are an integral part of our nation's heritage. Yet, several factors, notably climate change, habitat loss and fragmentation, invasive species, inadequate water quality and availability, and the illegal trade in wildlife and wildlife products threaten our wildlife legacy, not only in the United States but also around the globe. Adequate funding for a wide range of Fish and Wildlife Service programs will be essential to meeting these challenges.

National Wildlife Refuge System

The Committee remains concerned regarding the long-term operations and maintenance budget backlog facing the National Wildlife Refuge System now estimated by the Service to be approximately $2.87 billion. While the Refuge System received an increase in its appropriations in 2008, the years of level or decreased funding have resulted in the loss of approximately 600 field personnel since 2005, and the System continues to lose ground. While the Service has thus far staved off the need to implement radical proposals to restructure field operations and close individual refuges, funding remains entirely inadequate within the context of the operations and maintenance budget backlog. In order to cover ever-increasing costs and provide additional funds for essential program activities, especially the completion of comprehensive conservation plans for all refuges as required under the National Wildlife Refuge Act (P.L. 105-57), the Committee urges that the Refuge System be funded at an amount that builds upon the increase provided in last year's appropriation.

Endangered Species Program

The previous Administration spent eight years seeking to undermine the Endangered Species Act (ESA) and the protection it provides our nation's most imperiled species. High ranking political appointees used their positions and influence to meddle in scientific decisions under the ESA and alter policy outcomes, potentially harming species and certainly harming the integrity of the law, as well as the morale and reputation of the agencies charged with its implementation. The Committee will work closely with the new Administration to restore transparency, consistency, and accountability in the implementation of the ESA, and supports the President's commitment to ensuring that sound science is the basis for decision-making under the law. Key to restoring the integrity of the law will be increased funding for ESA programs that suffered from intentional neglect during the last eight years.

Coastal Barrier Resources Act (CBRA)

A high priority for the Committee is the one-time funding needed to implement the digital mapping modernization program to improve the accuracy and availability of maps produced under the Coastal Barrier Resources Act (CBRA). As was noted in 2007, this market-based conservation approach has saved the U.S. Treasury an estimated $1.27 billion. In addition, the effectiveness of the program was reaffirmed by the positive

review it received from the Office of Management and Budget during the program's FY 2006 performance rating assessment.

The existing series of 600 hand-rendered paper maps that depict undeveloped coastal barriers desperately needs to be modernized. As part of the Act's most recent reauthorization (P.L. 109-226), the Service was directed to complete the digital transformation of all CBRA maps. A pilot program has been completed and we urge the Administration to forward the final report to the Committee at its earliest convenience. Considering the substantial benefits of digital maps, the relatively low cost to produce them -- the Fish and Wildlife Service estimates it will take roughly $12 million -- and the trillions of dollars in property at risk, the Committee supports what will be a critical tool for communities facing the challenges of rising seas and increased frequency of severe storms, to ensure that risky private development is not encouraged or subsidized by the federal taxpayer.

North American Wetlands Conservation Act (NAWCA)

The North American Wetlands Conservation Act provides matching grants to organizations and individuals who have developed partnerships to carry out wetlands conservation projects in the United States, Canada, and Mexico for the benefit of wetlands-associated migratory birds and other wildlife. This program has become increasingly important as climate change shifts critical bird and wildlife habitats needed for adaptation to a changing environment. The Administration has proposed a $10 million increase in funding for NAWCA activities with a goal of fully funding the program at $75 million by 2012, and the Committee wholeheartedly supports this goal.

National Oceanic and Atmospheric Administration

The world's oceans and coasts are crucial to life on Earth. Yet, the synergistic effects of human activity, including energy development, habitat destruction and overfishing – both domestically and internationally – as well as the spread of invasive species, climate change, and pollution have initiated changes of untold magnitude. Healthy oceans are key not only to our survival but also to our quality of life; without healthy oceans we are ecologically and economically diminished. Science must inform our utilization of ocean goods and services so that we may enjoy the abundance that healthy oceans can provide. Our stewardship responsibilities will include realizing federal and regional ocean governance reforms, reviving our traditional international leadership role, implementing improvements in the management of fisheries and marine mammals, protecting special places in the marine environment as the inheritance of future generations, planning for the effects of climate change and offshore energy development, and providing the funding necessary to set a meaningful pace of positive change.

National Ocean Service

The National Ocean Service (NOS) is the primary federal agency working to preserve America's ocean and coastal resources. Of particular concern to the Committee is the continued erosion of funding for the Ocean Resources Conservation and Assessment accounts that occurred during the last several years. These reduction and cuts to navigation services contrast sharply with recommendations to increase monitoring, observations and mapping programs at NOAA and other agencies.

In this respect, the Committee generally supports the increases in NOAA funding to support advanced climate and ocean research and the construction and maintenance of research facilities and vessels. It is the Committee's expectation, however, that the Administration, in furtherance of its stated objective to build a 21st Century infrastructure, also intends to provide sufficient funding to accelerate efforts to coordinate and build-out an Integrated Ocean Observation System (IOOS). As much as highways and ports were critical to our global economic strength in the 20th Century, IOOS will provide the types of ocean and environmental observation and monitoring data that will become pivotal to both governmental and non-governmental decision-makers, and determine our future success in managing our economy and environment while navigating the uncertainties brought forth by climate change.

Other high priorities for the Committee are full funding for coastal management, coral reef conservation and the National Marine Sanctuary Program. As coastal communities deal with the environmental and infrastructure impacts of climate change, as well as the increasing efforts to develop alternative energy off our coasts, states will need robust and active coastal management programs to be full partners in addressing and managing these challenges and activities. Also, at a time when it has become abundantly clear that climate change, ocean acidification, and other human-induced activities are dramatically affecting the present and future health of the world's ocean and coral reefs, full funding for the Coral Reef Conservation Act and the Office of Marine Sanctuaries will be key to ensuring the long-term health of our marine resources.

National Marine Fisheries Service (NMFS)

The National Marine Fisheries Service (NMFS) is responsible for the conservation and management of fisheries and other living marine resources within the U.S. Exclusive Economic Zone (EEZ). Among other changes to our federal fishery management system, the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act (MSRA) of 2006 mandated the implementation of annual catch limits and accountability measures to end overfishing and the revision of NMFS procedures for compliance with the National Environmental Policy Act.

The Committee supports the Administration's proposal to fully fund the implementation of the MSRA and its requirements to end overfishing by 2011. The Committee also recommends adequate funding for stock assessments that provide the scientific and technical basis for meeting the MSRA deadline for all federally managed stocks to set annual catch limits by 2010-2011. Increases in funding for fishery observers and law enforcement funding will also be critical to achieving these goals.

Office of Atmospheric Research (OAR)

In general, the Committee supports the Administration's proposal to provide funding for climate and ocean research, including efforts to understand and monitor ocean acidification. The Committee also supports increased funding for the National Undersea Research Program which will be integral to this larger research effort, and urges the Administration to support funding for the National Sea Grant College Program at the authorized funding levels.

NATIONAL PARKS, FORESTS AND PUBLIC LANDS

National Park Service

Founded in 1916, the National Park Service (NPS) manages 391 park units encompassing more than 84 million acres in 49 states, five insular areas and the District of Columbia. The agency employs more than 20,000 full-time employee equivalents and receives more than 270 million visitors per year.

The Administration has announced its intention to seek a $100 million increase in funding for operation of the National Park System and $25 million in federal matching funds to leverage private donations in preparation for the National Park Service's 100th anniversary in 2016.

The 2016 anniversary is a significant milestone and the Committee welcomes the Administration's plans to increase NPS funding in preparation. It is our hope that, in contrast to previous requests for funding increases for NPS operations, this funding will not come at the expense of other worthy NPS programs such as historic preservation or deferred maintenance.

Bureau of Land Management

The Bureau of Land Management (BLM) manages 258 million surface acres and approximately 700 million acres of subsurface minerals, predominantly located in 11 contiguous western states[1] and Alaska. These lands make up about 13% of the land mass of the United States and about 40% of the land managed by the federal government.

The BLM manages multiple resources and uses, including energy and mineral production, timber, grazing, public recreation, wild horse and burro herds, fish and wildlife habitat and wilderness areas as well as archaeological, paleontological, and historic sites. In addition, the BLM manages the National Landscape Conservation

[1] These states are Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

System, which includes National Conservation Areas, designated wilderness, and 15 National Monuments.

The Administration has announced plans to insure that taxpayers begin to receive a better return from energy development on public lands. Such a policy would be a significant shift away from the policies of the previous Administration. Increasing the fees paid by energy companies for processing drilling permits and reforming royalty rates would provide important revenue for other aspects of BLM's mission.

The Administration has also announced plans to seek a dedicated fund to cover the costs of catastrophic wildfires on federal land similar to Chairman Rahall's FLAME Fund approved by the House last Congress. This proposal will be discussed below with regard to the Forest Service, but the $75 million sought by the Administration for DOI is an important investment and will allow the BLM to fight fires without taking funds away from other significant programs.

Forest Service

Congress established the Forest Service (FS) as an agency within the U.S. Department of Agriculture in 1905. The FS manages 193 million acres of national forests and grasslands in 44 states, Puerto Rico and the Virgin Islands including a wide range of natural, recreational, and historical resources. These lands comprise 8.5% of the total land mass of the United States, an area approximately the size of Texas. The Forest Service is the largest forest research organization in the world and provides states, tribes, and private land owners with technical and financial assistance on forest matters.

The previous Administration supported drastic reductions in vital FS accounts. These reductions, combined with the ever-growing cost of fighting wildfires, resulted in the Forest Service spending half its annual budget fighting fires, leaving inadequate funds for almost every other aspect of the agency's mission.

Like Chairman Rahall's FLAME Fund, the Administration intends to seek a $282 million emergency fund that would be available once annual appropriated dollars are exhausted for firefighting. This emergency fund, combined with a $50 million increase for national forest operations, represent significant and long overdue investments in the Forest Service and the resources it manages.

Land and Water Conservation Fund (LWCF)

Since 1965, the Federal LWCF program has provided essential funding for the acquisition of lands and waters to improve national parks, forests, wildlife refuges, and public lands. The program allocates a fraction of the enormous revenues generated by depletion of oil and gas resources in the Outer Continental Shelf to these purposes. Further, the Stateside LWCF program has provided states and localities with crucial funding to preserve open space and develop parks and recreational facilities.

Each year, approximately $900 million is credited to the LWCF and the Fund currently has a balance approaching $17 billion. Inexplicably, the previous Administration proposed to spend a meager 4% of the revenue credited to the LWCF in the last fiscal year and only one quarter of one percent of the Fund balance.

The Obama Administration's plan to allocate $420 million from the Fund next year, and to work toward allocating the full $900 million annually, is a dramatic and welcome policy change. LWCF funding can play a critical role in the conservation of sensitive areas and the development of outdoor recreational facilities.

WATER AND POWER

Bureau of Reclamation

The Bureau of Reclamation is best known for the dams, power plants, and canals it has constructed in the 17 western states. The Bureau operates nearly 350 storage reservoirs, approximately 250 diversion projects and 58 power plants. Through this federally owned and controlled infrastructure, the Bureau is the largest wholesale distributer of water in the country, providing more than 31 million people with water. In addition, the Bureau supplies one out of five western farmers (140,000) with irrigation water for 10 million acres of farmland that produce 60% of the nation's vegetables and 25% of its fruits and nuts. As the largest wholesaler of water, the Bureau's operations have a dramatic impact on western communities facing both unprecedented growth and drought.

Water and Related Resources

Most of the funds requested for the Bureau of Reclamation are for Water and Related Resources. This category includes items deemed by the Bureau to be central to its "core mission of delivering water and generating hydropower."

Contemporary Water Needs

The Committee is particularly interested in how the Bureau's budget request reflects the priorities of the Bureau of Reclamation. The Bureau of Reclamation is the only federal agency with exclusive responsibility for water supply in the western United States. Yet the agency's budget request and its resulting policy direction has not reflected a strong commitment to address the ongoing drought crisis, aging infrastructure, and tribal water rights settlements, or to respond to contemporary water needs in the West. For instance, the annual budget request and appropriation for Reclamation in previous fiscal years has been in the neighborhood of one billion dollars, but historically, only about $7 million— less than one percent—is requested each year to help communities finance water recycling projects.

Title XVI Water Recycling Projects

The general purpose of "Title XVI" projects is to provide federal financial assistance for developing supplemental water supplies by recycling/reusing agricultural drainage water, municipal wastewater, brackish surface and groundwater, and other sources of contaminated water.

Projects are financed with partial federal grants, and construction costs are shared by a local project sponsor or sponsors and the federal government. The federal share is generally limited to 25% of total project costs and in most cases the federal share is non-reimbursable, resulting in a de facto grant to the local project sponsor. Congress limited the federal share of individual projects to $20 million in 1996 dollars (P.L. 104-266).

Despite having a backlog of over $498 million in active Title XVI water recycling projects, the Bureau of Reclamation previously requested only $7 million in the FY 2009 budget. This is woefully inadequate and ignores the real potential of these projects to address water shortages throughout the West. A meaningful allocation to Title XVI would be no less than $75 million per year to both address the project backlog, as well as new needs.

Tribal Water Rights Settlements

Tribal water rights settlements allow for water supply certainty through the resolution of certain water claims for tribal and non-tribal parties. One of the most common impediments to water rights settlements is securing sufficient funds to implement settlement agreements. Since the passage of the Soboba Band of Luiseño Indians Water Settlements Act, Congress has approved 21 tribal water rights settlements, in which the federal government has spent or is committed to spend at least $1.7 billion. The estimated federal cost for unauthorized Indian water rights settlements is at least $3 billion dollars.

The Committee strongly supports the resolution of tribal water claims and a significant increase in related funding.

California Restoration Efforts

Other major programmatic categories of interest to the Committee include the Trinity River Restoration and San Joaquin River Restoration. The Committee will continue to maintain oversight on these important programs in the 111th Congress.

United States Geological Survey (USGS) Water Programs

Since 1879, the USGS has been involved in issues related to water availability, water quality, and flood hazards. This work, conducted by more than 3,500 hydrologists, technicians, and support staff located in every state, includes collection, management, and dissemination of hydrologic data; analysis of hydrologic systems through modeling of data; and research and development leading to a new understanding of water resources.

National Streamflow Information Program and the Cooperative Water Program

Of particular interest to the Committee is the USGS Cooperative Water Program, an ongoing partnership between the USGS and non-federal agencies. The program has been in existence for 112 years, jointly funding water resources investigation projects in every state, Puerto Rico, and several other U.S. territories. Funds for stream gages in the Cooperative Water Program are through a 50/50 joint partnership from the U.S. Geological Survey and other federal, state, tribal, and local agencies.

The USGS currently operates and maintains 7,500 stream gages across the country as part of the Streamflow system. 4,400 of the 7,500 stream gages are considered of federal interest and are federally funded. However, only 15-20 percent of the 4,400 stream gages are funded annually, leaving the rest to be funded by state and local agencies. Many stream gages have been discontinued due to the lack of funding to support their continued operation.

Groundwater Resources Program (GWRP)

The USGS Groundwater Resources Program (GWRP) assesses groundwater availability through evaluations of the nation's principal aquifers. Thirty principal aquifers collectively account for about 94% of the nation's total ground-water withdrawals for public supply, irrigation, and self-supplied industrial uses. The regional groundwater investigations budget requests were part of the FY 2009 Water for America Initiative. The GWRP request in FY 2009 was $10.5 million; an increase from the FY 2008 enacted levels.

The Committee strongly supports both the Cooperative Water Program and the Groundwater Resource Program and recommends funding at least at the Fiscal Year 2009 levels.

Federal Power Marketing Administrations

The four federal Power Marketing Administrations (PMAs) – Bonneville Power Administration (BPA), Western Area Power Administration (WAPA), Southwestern Area Power Administration (SWPA), and Southeastern Area Power Administration (SEPA) – market hydroelectric power from Bureau of Reclamation and Corps of Engineers dams to preference power customers throughout the western and southern regions of the country. The PMAs rely on a mix of funding from appropriations, power revenues, third-party financing, and borrowing authority.

Appropriated dollars are vital to the operation and maintenance of the PMAs' transmission grids and related facilities. SWPA and SEPA have typically received less than $40 million per year in appropriations combined. While the amount of funding is small, it is vital to their abilities to deliver clean, low-cost energy to public power customers.

In recent fiscal years, WAPA has received annual appropriations totaling more than $200 million per year to help maintain its transmission system, which is more than 17,000 miles long and runs across 15 western states. WAPA recently received borrowing authority in the American Recovery and Reinvestment Act of 2009, but those funds are solely available for use in constructing transmission capacity related to the delivery of renewable energy. Hence continued appropriations to fund transmission capacity related to WAPA's core mission of delivering hydroelectric power to western utilities is of utmost importance. While we believe funds provided for construction of new transmission in the West related to renewable energy resources are vital, we cannot lose sight of the need to provide funds for WAPA's core mission.

ENERGY AND MINERAL RESOURCES

1872 Mining Law

The Committee notes that the budget continues to exclude a call for comprehensive legislation to reform the nation's mining law, and examine issues germane to bringing the nation's hardrock minerals policy into the 21st century. Unlike nearly every other country in the world, the United States, under the 1872 Mining Law, conveys rather than leases hardrock minerals on public lands and development occurs on a claim without a production royalty paid to the federal government. Provisions to establish a 8% gross income royalty on new mining on public lands and a 4% royalty on mining from current operations, as well as increased location and claim maintenance fees, are included in H.R. 699, nearly identical to a bill (H.R. 2262) which passed the House in October 2007 on a strong bipartisan vote. CBO projects that these provisions (not including the 4% royalty) would increase revenues by $160 million in 2008-2012. The Committee emphasizes that securing a fair return from hardrock mining on public lands is critical, in particular to fund the reclamation of hundreds of thousands of abandoned hardrock mines. Current cleanup budgets are meager: for FY 2009 the Bureau of Land Management proposed $8.3 million and the Forest Service proposed $13 million, while the potential total abandoned mine cleanup cost looms in the billions.

Regulation of Coal Ash

Approximately 129 million tons of coal ash (combustion "byproducts" or "wastes") was produced in the United States during 2006. By one estimate, coal ash generation will increase at least 25% by 2020. The Committee has considered legislation, H. R. 493, to address the appropriate role of the federal government in assuring the safe disposal or reuse of coal combustion waste. A 2007 draft assessment by the Environmental Protection Agency revealed risks to human health and the environment from the disposal of coal waste in landfills and surface impoundments, and a 2006 National Research Council report recommended enforceable federal standards for coal waste disposal in mines. The evident need for baseline federal regulations for coal ash whether disposed in landfills, impoundments, or mines, will require adequate budget

resources to ensure the safety and health of communities and the environment from these waste products.

Oil and Gas

The Committee supports the Administration's adoption in the budget of a number of Committee proposals from the 110th Congress, including raising rental rates on non-producing oil and gas leases, reforming the royalty system to increase the return from oil and gas production on federal lands, and closing loopholes that have given oil companies excessive royalty relief for offshore leases. Clearly, with mineral receipts reaching nearly $23 billion in FY 2008, it is imperative that the Administration ensure that mineral development of the public lands and the Outer Continental Shelf (OCS) is conducted in the manner that best serves the public.

In particular, the Committee supports the Administration's decision to expand the comment period on the question of whether, where and under what terms future oil and gas development should occur under the proposed 2010-2015 Draft Proposed OCS Oil and Gas Leasing Program issued by the Minerals Management Service. The OCS is responsible for producing nearly 15% of the nation's domestically produced gas and over a quarter of our domestically produced oil. In Fiscal Year 2009, oil and gas activities on the OCS brought in more than $18 billion in bonus bids, rentals, and royalties. As a major source of energy and revenue for the United States, the Administration's steps on the OCS to ensure greater transparency and accountability on OCS activities are to be commended.

Historically, the Bureau of Land Management and the Minerals Management Service, the federal agencies tasked with the tracking and collection of these revenues, have not performed in an adequate or transparent manner. As evidenced by a series of independent assessments undertaken at the insistence of the Committee, there has been gross malfeasance in the federal oil and gas program. As former Interior Department Inspector General Earl Devaney said at one point, "Short of a crime, anything goes at the Department of the Interior." Sadly, as the Committee learned from a series of reports issued over the past several years, Interior employees did not stop short of committing crimes. Therefore, the Committee applauds the new sense of urgency and commitment the Administration has demonstrated towards reform of the federal royalty program.

Additionally, we urge the Administration to work with the Committee to assess the strengths and weaknesses of federal onshore energy program management, organization, and policies. There are many shortcomings in this program which have been raised in various forums, including:

- The Government Accountability Office (GAO) has proposed improvements the Department of the Interior (DOI) can make to ensure diligent development, improve royalty collection accuracy, and make sure that the American people get a fair return for production of their oil and gas resources. Ongoing GAO investigations begun at the request of the Committee are

examining the Royalty In Kind Program, the ability of DOI to verify oil and gas production, data reliability issues, the use of categorical exclusions as allowed by the Energy Policy Act of 2005, and financial assurances for fluid minerals.

- Western governors have recommended improvements in energy development, particularly coordination and planning between federal officials and policies and state and local officials to facilitate leasing while also protecting wildlife corridors and crucial habitat.

- Conservationists and western citizens have expressed concerns that resource management plans and leasing decisions are increasingly inconsistent with agency stewardship requirements. For example, six Utah Resource Management Plans covering 11 million acres completed in 2008 allow oil and gas exploration and development across the majority of lands which the Bureau of Land Management itself identified as having important wilderness character, and in some areas abut national parks.

Alternative Energy On-shore and Off-shore

The Committee commends the Administration for its decision to invest $50 million in renewable energy to conduct the environmental evaluations and technical studies needed to spur development of renewable energy projects, assess available alternative resources, and mitigate the impacts of development. For too long, the Department of the Interior's focus and resources have been concentrated on oil and gas, with development of alternative energy relegated to the back of the line.

There is a growing body of laws and regulations governing renewable energy project siting and development. The Committee understands and supports the Bureau of Land Management's effort to prepare a Programmatic Environmental Impact Statement (PEIS) to determine where large-scale deployment of solar power is compatible with other land management goals by 2010. However, the Committee is also concerned that at the same time, the Bureau of Land Management faces a backlog of more than 130 applications representing a combined total of more than 70 gigawatts of solar potential. The Committee also supports the Administration's efforts to encourage geothermal energy development on public lands. The Committee is also heartened by the Administration's commitment to ensure the Minerals Management Service issue final regulations for the OCS Alternative Energy and Alternate Use Program, which will allow for the leasing of the OCS for wind and hydrokinetic generating facilities.

In general, the Committee supports the Administration's commitment to facilitate development of clean, renewable resources in the most appropriate places on public lands and waters, consistent with other land management responsibilities, and in light of the potential to create jobs and a low-carbon economy.

Unconventional Fuels: Oil Shale and Tar Sands Leasing

In 2008, the Bureau of Land Management hastily finalized rules to facilitate commercial oil shale leasing on 2 million acres in Utah, Colorado, and Wyoming after a congressional ban on the final rules expired at the end of September 2008. The Committee commends Secretary Salazar for his recent actions related to oil shale leasing on federal lands. The many unknowns about oil shale as an energy commodity make it incumbent upon the Administration to question calls for large scale oil shale development.

While the Energy Information Administration's long-term forecast envisions commercial oil shale production in the United States eventually if oil prices are high ($102 per barrel of oil in 2020 and $118 in 2030) the EIA also found "considerable uncertainty" about future unconventional crude production. Among the unknowns are potential climate rules that would increase costs, possible water access restrictions in the West and other environmental limits. The Administration should examine such questions as the appropriate royalty for oil shale, water requirements for oil shale production, the impacts of oil shale and tar sands development in other nations, the amount of energy needed for full-scale production (and accordant increases in U.S. emissions of carbon dioxide) and potential western community impacts.

Carbon Sequestration

Coal plays a major role in meeting U.S. energy needs, and will continue to do so in coming decades. Carbon Capture and Sequestration (CCS) is the key enabling technology to ensuring that the U.S. continues to take advantage of our vast domestic resources of coal without contributing to greenhouse gas emissions. CCS entails injecting carbon dioxide underground in ultra-deep geological reservoirs. The U.S. has the geological capacity to store carbon emissions in depleted oil and gas reservoirs for several decades. Capacity in other geological reservoirs is estimated to be in the hundreds of billions of tons, enough to store current levels of domestic emissions for over 300 years. The technology is still under development, but many experts are optimistic about its advancement. The Committee urges the Administration ensure there are adequate resources applied to advancing carbon sequestration on public lands and ensuring this technology is safely developed and disseminated, and in particular, that the Administration ensures full implementation of Section 714 of the Energy Independence and Security Act of 2007, which was drafted by the Committee to develop a recommended framework for managing geological sequestration on public lands.

ADDITIONAL AND DISSENTING VIEWS OF THE HONORABLE DOC HASTINGS RANKING REPUBLICAN COMMITTEE ON NATURAL RESOURCES

VIEWS AND ESTIMATES FOR FY 2010

Climate Change

The Obama Administration budget request contemplates the enactment of an economy-killing $640 billion cap-and-trade tax scheme. This cap-and-trade tax means government re-engineering of the economy and jeopardizing the free market system that has made the U.S. the world's most productive industrial society since the end of the Civil War. It means a massive increase in regulations that suffocate economic growth and drive (yet more) investment overseas. It means drastically raising the price of electricity and a gallon of gas, reducing the gross domestic product, and robbing Americans of jobs, personal wealth, and retirement savings.

Natural resources laws, such as the Endangered Species Act and the National Environmental Policy Act, are not designed to regulate global climate change. The current trend to use natural resource legislation as a means to restrict activities is highly disconcerting when our Nation is struggling to meet its energy needs and is in the midst of an economic crisis.

It is imperative to ensure that restrictions are not enacted for activities based on perceived connections between harm to listed species or their habitats and greenhouse gas emissions from a specific facility, resource development project or government action. We need to tread carefully when crafting new management policies based on climate models that consist of predictions and opinions. It is noted that many Democrats who have supported the imposition of cap-and-trade have lately become uneasy with the immensely damaging costs of the scheme on American families and businesses.

America cannot afford to self-impose a cap-and-trade tax scheme that would devastate the U.S. economy while reducing tiny amounts of carbon dioxide and other greenhouse gases that will be more than offset by increases from developing nations like China and India.

Energy

Oil and Gas Tax Increases

The President's budget proposes more than 10 new tax increases or fees on domestic oil and gas producers. If our goal is to reduce the Nation's dependence on foreign oil then the idea of proposing billions in new taxes on domestic producers while giving foreign government owned oil companies a free ride will certainly hurt our efforts. There are a number of taxes proposed by the President that are particularly troubling and will have an oppressive impact on small oil and gas companies and support industries.

Specifically, the president proposes to eliminate the expensing of Intangible Drilling and Development Costs (IDC). The expensing of IDC has been part of the tax code since 1913. IDC generally includes any cost incurred that is necessary for the drilling of wells or the preparation of wells for the production of natural gas or oil. Only independent producers can fully expense IDC on domestic production. The elimination of IDC expensing would remove over $3 billion that would normally be invested in creating new American jobs and domestic production. The President's budget also proposes extending the amortization period for Geological and Geophysical (G&G) expenditures. G&G costs are associated with developing new American natural gas and oil resources. Early recovery of G&G costs allows for more investment in finding new oil and gas resources. Extending the amortization period would remove over $1 billion from efforts to find and develop new domestic production. Finally, the President's budget eliminates the Domestic Production Activities (Section 199), or "Manufacturing Tax Credit" for oil and gas companies. Congress enacted this provision in 2004 to encourage the development of American manufacturing jobs. All US manufacturers benefitted from the deduction until 2008 when the oil and natural gas industry was restricted to a 6 percent deduction while other manufacturers will grow to a 9 percent deduction. In the U.S., the most promising exploration and development projects are increasingly found offshore. The difference in cost between drilling offshore versus onshore is substantial, and this difference also contributes to making U.S. exploration projects more costly than foreign projects. The Manufacturing Tax credit helps encourage more oil and natural gas production in this country, and attracts needed capital to spur new petroleum refining capacity. In so doing, high paying U.S. jobs are preserved, and U.S. reliance on imported oil and related products is reduced.

The President's budget also includes two new taxes specifically on Gulf of Mexico production. The budget calls for a specific Excise Tax on Gulf of Mexico production. This tax disproportionally hits at American independent producers who hold 90 percent of the Outer Continental Shelf leases in the Gulf of Mexico. Offshore federal lands produce 27 percent of America's oil and 15 percent of America's natural gas. Producers pay royalties as high as 16.67 percent on their production. A portion of this production is produced without royalty payments until it reaches a set volume that was designed to encourage – and effectively so – development of deep water areas. Creating a new tax designed to add a $5 billion burden on U.S. offshore development will drive producers from the U.S. offshore reducing new American production of natural gas and oil. The Obama budget proposal also includes a new "Non-producing" Lease Fee. This clear tax would impose an additional cost on companies conducting exploration in the Gulf of Mexico. This fee would impose $1.1 billion in new costs over the 10 year life of the budget, charging companies while they wait for federal permits, review seismic data or construct infrastructure. While the President says that this fee would "ensure that oil and gas companies diligently develop their leases," the true cost of this fee will be reduced exploration, lower bonus bids for the American taxpayer and less oil and gas development in the Gulf of Mexico.

Finally, the President's budget attacks a number of small but critically important tax proposals that keep American jobs here. For example, one of these is the elimination of the Marginal Well Tax Credit that was created to establish a safety net for marginal wells during periods of low prices. These wells – which account for 20 percent of American oil and 12 percent of American natural gas – are the most vulnerable to shutting down forever when prices fall to low levels. Enacted in 2004, the marginal well tax credit has not been needed, but it remains a key element of support for American production – and American energy security. The Enhanced Oil

Recovery (EOR) Tax Credit is designed to encourage oil production using costly technologies that are required after a well passes through its initial phase of production. For example, one of the technologies is the use of carbon dioxide as an injectant. Given the increased interest in carbon capture and sequestration, carbon dioxide EOR offers the potential to sequester the carbon dioxide while increasing American oil production. Cutting off this tax credit will cut investment in the technologies to sequester carbon a seriously harm our domestic efforts to control domestic carbon emissions. Currently, the oil price threshold for the EOR tax credit has been exceeded and the oil value is considered adequate to justify the EOR efforts. However, at lower prices EOR becomes uneconomic and these costly wells would be shut down. The Percentage Depletion for natural gas and oil has been in the tax code since 1926. Unlike percentage depletion for all other resources, natural gas and oil percentage depletion is highly limited. It is available only for American production, only available to independent producers, only available for the first 1000 barrels per day of production, limited to the net income of a property and limited to 65 percent of the producer's net income. Percentage depletion provides capital primarily for smaller independents and is particularly important for marginal well operators. Eliminating percentage depletion would remove over $8 billion that could be invested in maintaining and developing American production.

America has a history with tax increases on oil and gas; in 1980 the Carter Administration imposed a windfall profits tax (WPT) that had the effect of reducing the domestic supply of crude oil. This increased our need for imported oil and made the United States more dependent upon foreign oil. According to the Congressional Research Service:

> The WPT was an excise tax on oil produced domestically in the United States; it was not imposed on imported oil. In economic terms, such taxes increase marginal production costs, and profit maximizing firms respond to the tax by reducing output and raising prices. The WPT increased the marginal or incremental cost of domestic oil production subject to the tax -- every barrel of oil produced cost more to produce by the amount of the tax. However, in the case of domestic crude oil, the higher marginal costs are not to be shifted as higher oil prices, because, oil being priced in the international (world) oil market -- oil prices are exogenous to the U.S. (the U.S. is a price taker, rather than a price setter). Oil producers could not shift the tax forward as a higher oil selling price because the purchaser would merely substitute imported or tax-exempt crude. This inability to shift the tax forward implies that the entire effect of the tax is to reduce domestic production and supply. In other words, U.S. domestic oil production was, to some degree, lower as a direct result of the WPT.

When put all together the President's budget proposes more than $31 billion in new taxes and fees on domestic oil production and no new fees on imported oil and gas. This disparity will create more dependence on imported oil, reduce American exploration and cost American workers their jobs. Congress should reject these proposals and pursue policies to open and develop our domestic resources in the Outer Continental Shelf (OCS). OCS development isn't just about energy, it is also about creating good American manufacturing jobs and building the infrastructure to harness this energy. America remains too dependent on foreign nations for our energy supplies. We can free America from our dependence on foreign oil, free America from imported foreign natural gas, and invigorate America's economy by harnessing the resources of America's OCS to create

more energy with the skill and knowledge of the American worker. This should be the focus of our domestic budget, not cutting jobs, increasing costs and increasing our foreign dependence.

Hydropower

There has been considerable discussion about global climate change by the Democratic Majority and the new Administration. However, adding more clean, renewable and emissions-free hydropower is not part of their equation. For generations, carbon-free hydropower has been a key energy resource for many regions. Hydropower, such as that generated at the Snake River dams in eastern Washington state, not only keep the lights on but enable other renewable energies that are intermittent. Unfortunately, hydropower has been under assault by many in the Democratic Majority, the environmental community and activist federal judges. For example, almost a third of Glen Canyon dams' hydropower production has been cut due to questionable environmental flows, and hydropower production in the Pacific Northwest has been reduced because of spills aimed at benefitting fish. This results in increased electricity rates for consumers, and the power needed to replace it is usually carbon-based. The President's budget fails to acknowledge that we need to do more to protect and promote more conventional hydropower.

Endangered Species

Instead of trying to improve a single provision of the Endangered Species Act (ESA) during the 110th Congress, the Natural Resources Committee conducted three oversight hearings on the actions of a former Deputy Assistant Secretary of the Department of the Interior. What we learned from those hearings was that the Department's Office of Inspector General spent millions of taxpayers' dollars to conclude that, "We discovered no illegal activity on her part." We also learned that this person had been involved in more than 200 listing, delisting and critical habitat designations and as a result of these hearings the Director of the U. S. Fish and Wildlife Service decided to review eight of those decisions. This hardly represented "meddling in scientific decisions under the ESA."

It is also interesting that the Majority has stated that they will urge "[i]ncreased funding for ESA programs that suffered from intentional neglect during the last eight years." Once again, the facts are quite revealing. During the last four years of the Clinton Administration, the Congress appropriated $356.577M for the ESA program. By contrast, during the last four years of the Bush Administration, $580.757M was appropriated for ESA activities. This represents an **increase** of $224.757M, more than 60 percent. It therefore defies logic to suggest that the last Administration was "starving" the ESA program.

What the Majority fails to mention is that the U. S. Fish and Wildlife Service has not made a single listing or critical habitat designation on its own since 1993. This does not represent a lack of agency interest but simply a realization that this program has been hijacked by radical environmental groups and activist federal judges. Instead of spending its valuable financial resources to recover listed species, the agency has had to spend an extraordinary amount of time

and money litigating an ever increasing number of lawsuits by organizations who feel they are better able to administer this program. As a result, the ESA program has failed to achieve its fundamental objective which is to remove recovered species from the protections under the Act. There are now 1,359 species listed as threatened or endangered in the United States; a mere16 have been declared recovered.

While this figure is unacceptable, what the Majority fails to mention in their excoriation of the Bush Administration is that the recovery rate was one of the highest during the entire 36 year history of the ESA. In fact, 8 of the 16 species that have been declared recovered achieved this status during the past eight years. In addition, the Obama Administration has recently reviewed the Bush Administration's decision to remove ESA protections from gray wolves in the Great Lakes and northern Rocky Mountains. The new Administration, which has stated it is committed to sound science, reaffirmed that decision. In fact, Secretary of the Interior Salazar noted that, "The successful recovery of this species is a stunning example of how the act can work". Sadly, within hours one of the groups that consistently sues the Fish and Wildlife Service called the Secretary's decision "biologically unsound and legally indefensible." What is truly tragic is that the ESA is not working for either wildlife or private property owners.

Instead of continuing to blame the previous Administration for everything that has gone wrong for the past 50 years, we should work together in a bipartisan way to improve this important law.

Public Lands

America is blessed with a vast expanse of public lands that are not only rich in timber, minerals, energy and wildlife habitat but provide great opportunities for outdoor recreation and enjoyment. Managed wisely, our resilient public lands can provide a continuing, secure source of the materials needed by American families for their economic well-being and quality of life.

National Park Service (NPS)

The NPS maintains many of our most treasured places and is already receiving great increases in its budget. In these difficult economic times, we must ask hard questions about another, additional $100 million increase over the 2009 enacted level when the NPS operations budget has already received consecutive 9 figure increases. Additionally, the NPS is still searching for ways to spend the nearly $1 billion bonus from the Stimulus act. Congress already increased the operations budget for FY'08 by $122 million, and this substantial increase should be focused on reducing the maintenance backlog, rather than increasing the burden with costly and unnecessary land acquisition. Visitor safety must be addressed in our Western parks, where drug smuggling, illegal immigration and drug cultivation abound. The new Administration must respond to the deteriorating situation on the Southern border that has become the battlefield for the deadly drug wars. It is unacceptable to impede the work of our border security professionals and then ignore the impairments that result.

Bureau of Land Management (BLM)

Grazing is an important tool for range management, as well as an essential part of the western culture, supporting rural communities and economies and maintaining open space on private lands adjacent to public land. Without adequately funded rangeland management programs, many of our public rangelands would become unmanageable. Therefore, sufficient resources are needed for the Range Improvement Fund for the administration and management of rangelands.

Zeroing out the Land Acquisition account for BLM would allow those funds to be used for higher priority programs and projects. The agency already struggles to manage the land under its authority, and acquisition of more land will only serve to exacerbate this problem.

Available public land for mechanized recreation has been decreasing while the number of recreation visitors has been increasing. Congress needs to support a targeted effort to promote and properly manage public access and use on BLM lands.

While recognizing the need for wilderness management, future funding should be redirected to higher priorities.

The Healthy Lands Initiative is a relatively new program created to aid the management of wildlife habitat in conjunction with increased energy development and other resource use activities.

Wild horse and burro management is an important issue for the health of America's wild horses as well as the proper stewardship of the land these horses graze. Adequate funding and management flexibility for this program is needed.

U.S. Forest Service

The massive buildup of dead and dying trees in National Forests has significantly increased the number and size of catastrophic wildfires in recent years. With that said, it is essential to include cost-control measures. An incentives system, using both sticks and carrots, is needed to ensure controlled and restrained spending by the Forest Service.

The grazing program plays an important role in range management and is also a tool for reducing fuel loads. Additionally, it supports many rural communities and benefits both the Forest Service as well as ranchers.

The National Forest System/Forest Products program focuses on the use of wood resources from National Forests and helps to accomplish vegetation management objectives. Not only does this program sustain viable rural economies, it is also a tool for many management objectives including wildlife habitat restoration, fuels reduction and watershed restoration. It is essential all regions have adequate funding to implement forest plans and offer a sustainable amount of timber.

The National Forest System/Vegetation Management program focuses on vegetation management objectives supporting most of the other resource management programs and is essential to completion of many fuels reduction projects.

Again, in these difficult economic times, with the Forest Service already struggling to manage the land already under its authority, the Land Acquisition account should be redirected to higher priority programs and projects.

Water Infrastructure

Some in Congress continue to fixate on water recycling as the key way to resolve western water supply concerns. While there is merit to promote water recycling in some areas, we can help meet much of our contemporary water needs by rehabilitating and rebuilding what has worked for generations: traditional Bureau of Reclamation infrastructure. The Administration and Democratic Majority should not ignore the infrastructure that helped settle the West and still provides water that produces food and fiber throughout our Nation. This will be a key focus for Republicans in this Congress.

Native Americans

Sufficient resources need to be devoted to improving the management of Indian lands. The surest way to achieve this goal, however, is to reduce government red tape that stands in the way of tribes and individual Indians using their lands in a productive manner. The government must also work with the owners of Indian allotments to develop a solution to the problem of fractionation of Indian lands. The Natural Resources Committee must be in the forefront of developing new, creative ideas to resolve fractionation.

Sufficient federal resources must be provided to reduce crime and improve the sad state of detention centers in Indian Country, and to improve the quality of education for Indian children.

There is general agreement with the Democrats' intentions to facilitate the development of renewable resources on Indian lands, but not for "combating global warming." Rather development of renewable resources must primarily be for increasing job opportunities and energy supplies in Indian Country. Unfortunately, the Democratic Views and Estimates short-change Native Americans when it comes to the massive untapped oil, gas, and coal resources on Indian lands. In many cases these traditional fuels are easily accessible, and they create high-wage jobs, investment opportunities, and royalty income for tribes and individual owners.

Fortunately, under Republican Leadership, the Congress enacted a watershed Indian energy law in the Energy Policy Act of 2005. This Act changed leasing law in a fashion that gives tribes the option to form their own tribal energy leasing and development rules. Tribes exercising this option submit their proposed rules, called a Tribal Energy Resources Agreement (TERA), to the Secretary of the Interior for approval to ensure they are in the best interests of the tribes, protect tribal resources, and create a strong business regulatory structure. Once a TERA is approved, no

further Departmental supervision of the leasing arrangements is necessary, freeing the tribe to pursue development under its tribal rules. The budget request to date does not provide enough detail to judge whether sufficient funds are provided to help tribes craft suitable TERAs.

Hardrock Mining

Today approximately 8 percent of the worldwide mineral exploration budget is spent in the United States, down from a high of 20 percent in the early 1990s. This is due to many factors: permitting delays and litigation brought by nongovernmental entities under our existing regulatory framework; financing problems due to security of tenure issues; and uncertainty resulting from proposed changes in the mining law that would impose onerous gross royalties on existing and future production, duplicative permitting and public participation processes, and mine veto provisions that would allow federal agencies and other government entities to deny an operating permit even if the mine can meet all environmental requirements.

Three different economic analyses done in the early 1990s on royalty schemes similar to H.R. 699 concluded that an 8 percent gross royalty would reduce revenue to the federal treasury and cost American jobs in the mining sector. Prior to imposing royalties, an economic analysis by mineral economists should be conducted to determine what tax and royalty scheme optimizes the government take, ensures a robust domestic mining sector, and, does not cost American jobs. Any royalties must be on new claims only; otherwise the government and therefore the American taxpayer will be subject to takings litigation.

Additionally, mining law reform should include "Good Samaritan" provisions that would provide limited liability relief under some environmental provisions for preexisting conditions at abandoned mined land sites to encourage voluntary cleanup and reclamation of these sites by entities not responsible for the existing mess.

National Oceanic and Atmospheric Administration (NOAA)

Management of the Nation's ocean and coastal resources must take into consideration the fact that man is a part of the ecosystem. All too often, Washington, D.C.-based bureaucracies ignore the needs of coastal residents to make a living by sustainably using our resources. This is reflected in new bureaucracies that attempt to lock up renewable resources and federal legislation that short-circuits the ability of the public to have an impact on the decision-making process relating to these resources. Funding for programs within NOAA that manage resources should not be used to restrict access, but rather used to make the use of those resources sustainable.

While coral reefs and the fisheries that they support need to be conserved, creating hurdles to any action that might even indirectly affect coral reefs will hinder the development of sustainable economies in some parts of the Nation. This is especially important in areas where the ocean provides the majority of the economic and subsistence opportunities for coastal residents.

Funding for the National Marine Sanctuaries Act needs to consider the use of marine resources within the Sanctuaries and the recreational and commercial needs of the adjacent communities

which make use of the resources in a sustainable manner. Funds should not be used as an authority for prohibiting activities within Sanctuaries. In Sanctuaries where fishery management objectives can be achieved by limiting the type or season of fishing, the expertise of the fishery resources managers at the National Marine Fisheries Service and the stakeholder involvement process of the Regional Fishery Management Councils should be utilized.

The creation of the Papahānaumokuākea Marine National Monument (the largest marine conservation area in the world) and 3 new marine monuments in the Western Pacific threaten the funding available for existing Sanctuaries. Congress amended the National Marine Sanctuaries Act to prevent the creation of any new Sanctuaries until assurances could be made that the available funding was adequate for all of the existing Sanctuaries' needs. Congress continues to raise concern about the maintenance backlog for the Wildlife Refuge System and the National Parks System and therefore the concerns for the future of the National Marine Sanctuary Program remain valid. The addition of new marine monuments will certainly stress the already reduced budget for this program and new monuments or Sanctuaries should not be designated if the addition would reduce funds for the existing Sanctuaries. In addition to the National Marine Sanctuary Program, other statutory authorities exist for creating different types of marine protected areas. Each of these authorities allow unique designations for specific reasons or management purposes. Efforts to lump these very different marine protected areas under one umbrella management regime or linking different managed areas under a new overarching designation should be avoided so as not to diminish or alter the original reason for the designation.

Funding for the National Marine Fisheries Service needs to be at a level where the Nation's fishery resources can be harvested at an optimal level while ensuring a sustained yield for years to come. This will provide an economic base for fishery dependant communities. In addition, funding for research which supports the management duties of the agency needs to be maintained. Priority for research needs to be focused on the needs of the resource managers.

The mapping and charting base program must be funded at levels so that benefits will accrue to ocean and coastal commerce, and the potential for vessel groundings and accidents will be reduced. The continued backlog in necessary coastal surveys to provide accurate nautical charts is a concern, and the Administration is urged to acquire the appropriate funds to address the survey backlog.

In Conclusion

Instead of creating more federal bureaucracy, Congress and the Administration need to prioritize program funding needs and increase coordination to eliminate duplicative programs.

Congress should not enact legislation that would create unwieldy and unnecessary levels of new bureaucracy and duplicate requirements of existing laws. Congress should review and revise existing natural resource legislation and amend it to address current needs and situations.

Most importantly, with the American economy struggling and with individual Americans worried about their jobs and take-home-pay, we simply cannot afford to impose costly new fees, higher taxes, and huge spending increases on programs that aren't necessities.

DOC HASTINGS
Ranking Republican
Committee on Natural Resources

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Spratt:

I am pleased to submit, pursuant to the Congressional Budget Act of 1974 and clause 4(f)(1) of House rule X, the enclosed views and estimates of the Committee on Oversight and Government Reform for the fiscal year 2010 budget.

Please feel free to contact me if you have any questions.

Sincerely,

Edolphus Towns
Chairman

cc: The Honorable Darrell Issa
Ranking Minority Member

Views and Estimates on the Fiscal Year 2010 Budget
Committee on Oversight and Government Reform
U.S. House of Representatives

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following list is not exhaustive, but highlights the views of the Committee on some of the issues addressed in the President's fiscal year 2010 budget that are within the scope of the Committee's jurisdiction. The FY 2009 budget resolution also requires committees to include in their annual views and estimates recommendations for improving the performance of programs within their jurisdictions. The following list includes some of the Committee's recommendations for improving program performance based on the Committee's oversight efforts.

Transparency

The Committee supports the President's commitment to operate his Administration with transparency. Our democracy depends on having a government that is open and accountable to the people. The President has taken a number of important steps to improve public access to information. One example is the President's memorandum on transparency. This memo instructs agencies to make information available online and to offer more opportunities for public participation in decision making. One way the Administration should carry out these goals is through improvements to the electronic rulemaking process that allow for easier access to information related to rulemakings and that encourage public participation in rulemakings.

The President also issued a memorandum restoring the presumption of disclosure under the Freedom of Information Act (FOIA). The Committee supports adequate funding for agency FOIA compliance. Additionally, Congress should provide funds to the National Archives for the Office of Government Information Services established by the OPEN Government Act of 2007.

The Committee also supports adequate resources to ensure effective oversight and transparency of the funding provided by the American Recovery and Reinvestment Act.

Contracting

The Committee strongly supports the President's proposals to reform federal contracting and acquisition. The Committee believes that the responsible management of federal discretionary spending requires the Administration to devote its attention and resources to improving the management and oversight of federal contracts.

The Committee views competition as an effective way to ensure the efficient use of taxpayer dollars. This Committee has previously identified waste and fraud in the

federal contracting system through excessive use of sole source, cost-type contracts, and supports the President's proposal to review the use of these contracts and encourage competition.

The Committee also supports the proposal to improve the quality of the acquisition workforce and encourages investment in building this workforce as a key to long-term savings through improved contract planning and management.

The Committee supports the President's review to clarify which functions are inherently governmental and which are commercial, the proposals to reform Department of Defense acquisition, and the proposal to streamline administrative processes to make it easier for the Internal Revenue Service to collect tax debt owed by federal contractors.

Federal Property Reform

The President's budget states that the President will implement the Government Accountability Office's (GAO) recommendations to improve the management of surplus federal property. The Committee shares this goal. The federal government manages a portfolio of about 8,800 properties worth approximately $68.8 billion.[1] Many of these properties are unused, obsolete, and in disrepair. However, state and local governments can often find public benefit uses for such property. Some of these public benefits can qualify state and local governments to receive surplus federal property at up to a 100% discount.[2] Federal agencies are often reluctant to dispose of their surplus property because they are required to assess and pay for any necessary environmental cleanup before they can dispose of the property.[3] The Committee supports an increase in property disposals through the General Services Administration (GSA), which has government wide authority for property disposal and considerable expertise in federal real property management, and may consider legislation that would allow GSA to pay the initial property disposal costs for other agencies to help facilitate future disposals.

Bureau of the Census

The Census Bureau serves as the leading source of statistical data about the nation's population and economy. Statistics derived from the decennial United States Census and more than 100 annual surveys, guide important decisions bearing on the distribution of governmental resources as well as Congressional reapportionment. The Committee supports the President's proposed increase in funding for the Census Bureau to prepare for and conduct the 2010 Census. The President's budget requests $6.7 billion, an increase of $4 billion from the 2009 likely enacted level of $2.7 billion.

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[1] Congressional Research Service, *Disposition of Surplus Federal Property* (July 16, 2008) (RS20630).

[2] General Services Administration, Public Buildings Service, *Acquiring Federal Real Estate For Public Uses* (September 2007).

[3] Government Accountability Office, Testimony of Mark L. Goldstein, Director, Physical Infrastructure, *Federal Real Property: An Update on High-Risk Issues*, 19, 20 (May 24, 2007) (GAO-07-895T).

The Census Bureau anticipates spending about $15 billion over the lifecycle of the 2010 Census, compared to the $8.1 billion lifecycle cost for Census 2000. This includes funds to test address canvassing, the opening of local census offices, and the printing and mailing of millions of census questionnaires and forms, complete Non Response Follow-Up (NRFU) and the myriad of other tasks needed to successfully complete the 2010 Census.

The Committee will continue oversight of the Administration's efforts to improve on the 2000 Census by developing plans, outreach strategies and programs to reach the traditionally hard to count populations. The Administration recognizes that the communications campaign and local partnership efforts contributed to the success of Census 2000. They plan to improve on the 2000 efforts with the necessary funding and a more integrated approach, with consistent messaging across advertising, local and national partnerships, and other outreach activities.

Program Assessment Rating Tool

The Committee supports the President's proposal to reconfigure the Program Assessment Rating Tool (PART). The Committee has serious concerns with the PART program as it was administered under the previous Administration. We do not believe that PART, in its current form, is a meaningful analysis of program effectiveness.

The Committee supports the President's proposal to open the performance measurement process to the public, Congress, and outside experts. We support the President's commitment to "eliminate ideological performance goals and replace them with goals Americans care about and that are based on congressional intent and feedback from the people served by Government programs."[4] It is imperative that any assessment of program performance be a transparent, neutral measure of the effectiveness of federal programs.

The PART process has historically applied metrics unevenly and, in some cases, inappropriately. A recent study by the National Academy of Sciences (NAS) raised concerns with the Office of Management and Budget's (OMB) use of outcome-based measures for the Environmental Protection Agency scientific research programs. The NAS committee found that, "for most research programs, ultimate–outcome-based efficiency measures are *neither achievable nor valid*."[5] The Committee urges the Administration to ensure that any performance measures used are appropriate for the program being evaluated.

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[4] *A New Era of Responsibility: Renewing America's Promise*, 39 (Feb. 2009).

[5] National Academies, *Evaluating Research Efficiency in the U.S. Environmental Protection Agency*, 4 (2008).

Federal Workforce

Civilian Employees' Pay

The President's FY 2010 budget proposes a 2.0 % pay raise for federal civilian employees and a 2.9 % pay raise for armed services personnel. Congress has a longstanding policy of pay parity for military and civilian employees. Congress has expressed strong bipartisan support for parity in pay adjustments between military and federal civilian personnel due to the essential service military and civilian employees provide to our nation and the vast wage gap that exists between public and private sector wages.

Postal Service

Postal Reimbursements

The United States Postal Service (the Postal Service) is an independent agency charged with providing customers with reliable mail service at reasonable rates and fees. While the initial submission of the President's FY 2010 budget proposal does not include information on reimbursement to the Postal Service for the statutorily mandated service of providing free mail for the blind and overseas voters in 2010, the Committee wishes to express its support of fully funding free mail services provided by the Postal Service.

The Committee also urges Congress to continue providing reimbursement to the Postal Service for costs incurred in the delivery of mail sent by nonprofits. Under the Revenue Forgone Reform Act of 1993, the Postal Service is to receive a reimbursement of $29 million annually through 2035 to cover these costs. Failure to fund this authorized appropriation places the Postal Service's remaining debt of nearly $700 million at risk of nonpayment. Congress appropriated this amount every year from 1994 to 2009 and it is expected that the Postal Service will request that these funds continue to be provided in FY 2010. The Committee supports fully funding the authorized $29 million reimbursement in FY 2010.

Postal Regulatory Commission

The Postal Regulatory Commission (PRC) is an independent agency that has exercised regulatory oversight over the Postal Service since 1970. The Postal Accountability and Enhancement Act (PAEA) (P.L. 109-435) assigned new responsibilities to the PRC, including providing regulatory oversight of the pricing of USPS products and services, ensuring USPS transparency and accountability, and serving as a forum to act on complaints with postal products and services.

The PRC is expected to receive funding in the amount of $14,043,000 for FY 2009, which in accordance with PAEA, was derived from the "off-budget discretionary" Postal Service Fund. The expected $14,043,000 appropriation in FY 2009 matched PRC's recommended funding level and the President's requested funding level for FY

2009. For FY 2010, the Committee expects the PRC to once again submit a budget that is consistent with the Commission's expenses and scope of work, as mandated by PAEA. Given the vital regulatory role the PRC plays with regards to the Postal Service, the Committee supports full funding of the PRC in FY 2010.

Office of the Inspector General, U.S. Postal Service

The Postal Service Office of the Inspector General (OIG) is an independent organization charged with reporting to Congress on the overall efficiency, effectiveness, and economy of the Postal Service's programs and operations. As required by PAEA (P.L. 109-435), the Postal Service OIG is now required to submit its upcoming fiscal year budget to OMB for inclusion in the President's overall budget and funding for the OIG is to be transferred from the Postal Service Fund, which is revenue generated from postal services and ratepayers.

In FY 2009, the OIG is expected to receive an appropriation of $239 million. For FY 2010, the Committee recommends increased funding for the Postal Service OIG in order to ensure that the OIG is able to effectively carry out the enhanced duties assigned to it under PAEA as well as to meet the office's recently identified increased workload and demand.

USPS Employee/Employer Benefit Contributions

The Administration's FY 2010 budget submission contains a proposal intended to realign USPS employee/employer benefit contributions. The proposed modification calls for statutorily reducing the Postal Service's employer contribution to the Federal Employees' Health Benefit Program (FEHBP) on behalf of its employees to a level consistent with the employer contribution in the executive branch. Currently, the average executive branch employer FEHBP contribution is set at 72%, where as the Postal Service's employer contribution hovers around 83%.

In addition to recommending adjustments to the Postal Service's employer health benefit contribution, the President's FY 2010 budget proposal recommends that the Postal Service's employer contribution to the Federal Employees Group Life Insurance Program on behalf of its employees be statutorily reduced to mirror the employer contribution in the executive branch, which would result in a contribution reduction for the Postal Service from 100% to 33% between 2010 - 2019.

It is estimated that the President's proposal would generate roughly $9.4 billion in savings for the federal government from 2010 through 2019. However, the Committee is concerned by both the proposal's potential infringement on the collective bargaining rights of Postal employees as well as by the process through which such changes are being sought. The Committee, therefore, opposes the President's proposal in its current form and strongly recommends that any such changes in this area be considered through the appropriate authorizing channels.

District of Columbia

District of Columbia Tuition Assistance Grant Program (DC TAG)

The District of Columbia Tuition Assistance Grant (TAG) Program was established by the District of Columbia College Access Act of 1999 and was amended by the DC College Access Improvement Act of 2002. DC TAG is designed to equalize postsecondary education opportunities for students from the District of Columbia by enabling them to attend any public college or university in the nation at in-state tuition rates. DC TAG provides college-going students limited financial assistance in the form of scholarships to help cover costs of attendance at private colleges in the DC metropolitan area and at historically black colleges and universities (HBCU) throughout the country.

During the 110th Congress, the Committee reauthorized DC TAG for an additional five years. Over the course of the 2007 - 2008 school year, the DC TAG program provided over $30 million to support the college pursuits of more than 4,560 DC students. DC TAG is expected to be appropriated $35,100,000 in FY 2009 for the purposes of awarding eligible students grants of up to $10,000 annually for in-state tuition at most public colleges or up to $2,500 annually to attend private institutions. In support of the continuation of this successful program, the Committee recommends that adequate funding be provided for DC TAG in FY 2010.

DC School Improvement Payment

The Committee recognizes that since 2004, the President's budget has consistently requested funding to support improvements and reforms in the District's public education system. In this regard, funding over the past five years has been both requested as well as appropriated specifically for what is known as the "Three-Sector Approach" to DC public school improvement. This supplemental approach to educational reform entails dedicating funding to support traditional DC public schools, DC public charter schools, and to administer the DC Opportunity Scholarship Program. The DC Opportunity Scholarship Program provides annual scholarships to eligible students to attend private educational institutions in the District of Columbia.

The Committee strongly agrees with the federal government's recent emphasis on improving public education in the District of Columbia. The Committee therefore urges a continuation of funding to support the District's traditional public school system, which is responsible for the education of over 50,000 students, and its burgeoning public charter school system, which provides educational services to nearly 27,000 students. The Committee is aware that federal funding for the DC Opportunity Scholarship program will not be provided beyond the 2009 - 2010 school year, unless the program's enabling legislation is reauthorized. Currently, the Committee is unaware of any pending legislation to reauthorize the DC school voucher initiative. Therefore, the Committee does not anticipate reauthorizing the program. The Committee does, however, recommend that funding be provided in FY 2010 to assist the District of Columbia

government in the potential transition of DC Opportunity Scholarship Program students following the 2009-2010 school year."

District of Columbia Water and Sewer Authority (DCWASA)

The Committee has continually supported funding to continue implementation of the District of Columbia Water and Sewer Authority's (DC WASA) $2.2 billion Combined Sewer Overflow Long-Term Control Plan (CSO). The project is entering the construction phase and will require in excess of $200 million over the next two fiscal years. FY 2009 funding for the project was made contingent upon DC WASA providing a 100% match for the payment.

While the Committee supports funding the implementation of the CSO plan, the Committee also asks that full consideration be given to providing funding in FY 2010 to assist with DC WASA's other major capital improvement projects, the Blue Plains Total Nitrogen Program, and necessary investments in water distribution and sewer collection systems.

Washington Metropolitan Area Transit Authority (WMATA)

In addition to providing requisite formula dollars to the Washington Metropolitan Area Transit Authority (WMATA) through the Department of Transportation's FY 2010 budget, the Committee also urges that direct funding be provided in FY 2010 to support WMATA's operational and/or capital improvement costs. The federal government has always recognized the special role of WMATA, sometimes known as "America's Subway." Many Metrorail stations were built at the request of the federal government and nearly half of all stations are located at federal facilities. In addition to the federal workforce, millions of others use the WMATA system each year to visit the nation's capital or conduct business with the federal government. WMATA is also a critical component for ensuring continuity of federal government operations during an emergency and federal recovery plans rely heavily on WMATA.

Because of WMATA's role in serving the federal government and because the federal government does not pay local taxes to support the transit system, Congress passed Title VI of the Passenger Rail Investment and Improvement Act (P.L. 110-432) last year, which authorized $1.5 billion over 10 years for WMATA's capital and preventive maintenance needs. The legislation provides that federal grants are to be for 50 % of the net cost of projects, with the matching funds to be provided by WMATA's local jurisdictions. The Committee requests that the FY 2010 budget resolution include $150 million for maintenance and upkeep of the WMATA transit system as authorized by P.L. 110-432.

Office of National Drug Control Policy (ONDCP)

The Administration's FY 2010 budget summary does not provide detailed allocations for the Office of National Drug Control Policy (ONDCP), but the Committee would like to take the opportunity to set forth recommendations for both ONDCP's

budget and the larger National Drug Control budget that ONDCP coordinates and certifies to support the goals and objectives of the National Drug Control Strategy.

With respect to ONDCP programs, the Committee believes that the Drug Free Communities program is essential to reducing drug use and its harmful consequences and should therefore be increased in FY 2010. The Committee also believes that there must be increased oversight over how Drug Free Communities funding is distributed in order to ensure that the money is being used for local prevention and treatment programs, as intended. The Committee disagrees with the prior Administration's efforts to reduce and dismantle the High Intensity Drug Trafficking Areas (HIDTA) program and believes that the program funding should be increased beyond its prior peak funding level. Finally, the Committee supports a reduction in funding for the Media Campaign. The Campaign has yet to establish new results or evaluation means to demonstrate the effectiveness of any modifications, as mandated by the ONDCP Reauthorization Act of 2006.[6] If funding is not eliminated, the Committee recommends that an independent evaluation be adequately funded to monitor program changes and effectiveness in reducing youth drug use.

The Committee believes that the formulation of the National Drug Control Strategy should be based on science, evidence, and data rather than ideology. The Strategy should place much more emphasis on demand reduction programs and strategies. From FY 2002 to FY 2009, funding for supply-reduction initiatives like interdiction efforts has doubled and funding for international programs has risen faster than funding for demand-reduction strategies like treatment, domestic law enforcement, and prevention efforts. However, interdiction and source-country eradication have not led to net decreases in overseas drug cultivation, increases in drug prices, or decreases in the drug purity or domestic availability,[7] and overall demand for illicit drugs went unabated. The Committee believes funding for these programs – which have not demonstrated much success in preventing drug abuse – should be reduced or eliminated. Meanwhile, as stated above, the Committee believes that funding for HIDTA should be increased to ensure that domestic law enforcement efforts against drug trafficking and distribution remain a focus.

Demand-reduction strategies overall, such as prevention and treatment, have been proven by decades of research and evaluation to be more effective in reducing drug abuse.[8] The Committee encourages the new Administration to significantly increase the ONDCP budget for prevention and treatment services, including research on effective programs.

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[6] P.L. 109-469.

[7] *See, e.g.*, Government Accountability Office, *Plan Colombia, Drug Reduction Goals Were Not Fully Met, but Security has improved; U.S. Agencies Need More Detailed Plans for Reducing Assistance* (Oct. 2008) (GAO-09-71).

[8] *See* Testimony of former ONDCP official John Carnevale and Economist Rosalie Liccardo Pacula, co-Director of the Drug Policy Research Center at the RAND Corporation, Hearing on "The National Drug Control Strategy for 2008, the Fiscal Year 2009 National Drug Control Budget, and Compliance with the ONDCP Reauthorization Act of 2006; Priorities and Accountability at ONDCP," Subcommittee on Domestic Policy of the House Committee on Oversight and Government Reform, 110th Congress, 2nd Session (Mar. 12, 2008).

The Committee applauds the Administration's commitment in the Health and Human Services Budget to expand the treatment capacity of drug courts and its recognition that "[s]ubstance addiction is a preventable and treatable chronic condition."[9] The Committee also strongly supports the Administration's decision to increase the Department of Justice's budget for prisoner reentry programs, including drug treatment. The Committee hopes that these budget allocations signify that the ONDCP budget itself will also place a high priority on renewing a public health approach – focusing on demand reduction services – to addressing our nation's drug abuse epidemic.

The recently released report by the National Academy of Public Administration (NAPA) evaluating ONDCP's management practices agreed with Congress that ONDCP's practice of submitting a limited Annual Budget Summary that excludes the budgets of drug-related agencies and other key programs "does not adequately inform the public or the policymakers about federal drug control expenditures."[10] The Committee expects that the new Administration will reverse this trend and create a unified and performance-based budget summary that supports Drug Control Strategy's measurable goals, which will allow for more effective drug policy and better inform the public and policy makers about federal drug control expenditures.

Finally, the Committee remains deeply concerned that ONDCP has not met its statutory obligation to provide a comprehensive performance measurement accountability system to evaluate the overall effectiveness of the National Drug Control Strategy. It is essential that such a system be restored to enable Congress and the American people to monitor and evaluate the nation's progress in reducing drug use and its harmful consequences.

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[9] *A New Era of Responsibility: Renewing America's Promise*, 70 (Feb. 2009).

[10] National Academy of Public Administration, *Building the Capacity to Address the Nation's Drug Problems* (Nov. 2008).

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Jackie Speier

Gerry E. Connolly

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Minority Views
Committee on Government Oversight and Reform
Views and Estimates Regarding the President's Proposed Budget for FY 2010

In some areas, we concur with the views of the Majority regarding the President's proposed budget for FY 2010. This list highlights selected areas of concern, but is not exhaustive. The President's budget outline provides only a limited view into the programs, priorities, and reforms of this Administration. As additional details emerge, we expect to highlight additional issues that we believe deserve greater focus.

Census

The Constitutionally mandated decennial census is the very heart of our system of representative democracy because it determines political representation through reapportionment of seats in the House of Representatives and the allocation of federal funding. Because of this, it is of vital importance to count every person once, and only once, and in the right place. The Minority continues its support for the President's proposed increase in funding for the Census Bureau for the preparation and conduct of the 2010 Census. It is the view of the Minority that each and every person in the United States on Census Day needs to be counted and will continue its support of efforts to ensure the Census Bureau has more than adequate funding to achieve this Constitutionally required actual enumeration.

Contracting

While there is no doubt we must continue to exercise strong oversight over the federal acquisition process, we look forward to examining President Obama's recent proposed changes. The current legal and regulatory framework for doing business with the government is complex and built on case law precedent. Consequently, reform must be achieved with a view to how proposed changes affect the entire acquisition system.

While many of the President's goals are laudable, the devil will be in the details. It is often in the government's best interest to engage the services of small businesses who serve specialized market niches.

We must seek to continue to diversify our supply base – not with more set asides and other non-competitive programs – but with innovative arrangements that allow the most competitive suppliers access to our acquisition system. Competition is the key to keeping government costs low. Any sweeping acquisition policy changes – such as those proposed by the President – should be implemented with thoughtful and deliberate consideration.

With regard to the Administration's call to assess "which functions are inherently governmental and which are commercial", when it comes to utilizing private contractors, we must keep an open mind, and avoid jumping to rash conclusions about the government's best interests. That being said, we believe that a robust, experienced, and well trained acquisition workforce is the fundamental core of an effective acquisition system. At every point in the contracting process, from award through the life of the program, we must have competent skilled individuals to combat waste, fraud, and abuse.

District of Columbia -- DC Opportunity Scholarship Program

Although the program has adequate funding for the current school year, if it is to continue beyond 2010 it needs reauthorization and adequate funding. In the past this Committee and Congress has shown bi-partisan support for the program. It is unfortunate the Majority, without holding any hearings or conducting bipartisan consultation, have indicated they are not willing to reauthorize this program for the future of the District's children.

Citing the absence of a current bill as justification for not authorizing the D.C. School Choice program is outrageous – will a bill introduced in the first two months of this Congress be a prerequisite for consideration of all other authorizations this committee will consider?

The D.C. School Choice program enjoys strong local support and fills a great need in a city with a history of deeply troubled schools. Demand is high, with a long waiting list, and selection for the program is by lot. President Obama himself attended an elite private high school in Hawaii, and his children attend one in Washington, D.C., where they now have classmates who are recipients of these scholarships.

The "poison pill" language inserted into the Omnibus Appropriations Bill by Senator Durbin, if signed by the president, would require reauthorization, as well as approval by the City Council for this federal program. It was wrong to insert such language into an omnibus appropriation bill, and we consider it a gratuitous attempt to undercut this worthy program.

The original legislation in 2004 reflected a bi-partisan agreement to add new money to DC schools across the board. While we are grateful that the Senate will apparently give floor time for a full debate on this program later in the year, we are concerned that the inappropriate attempt to terminate this program in the Omnibus Bill might result in many members taking a different view of the extra funding that has been provided for DC public schools.

This program should be immediately reauthorized with adequate funding to continue the program for another five years.

Office of National Drug Control Policy

The ONDCP budget should be broadly inclusive of all the factors contributing to illicit drug use including supporting the role of security and law enforcement, prevention, public health, treatment, research, and economic and social development. With respect to the National Drug Control Strategy, increased investments in demand reduction programs should not be done to the detriment of investments in long-term supply reduction initiatives. Disruption of the illicit drug marketplace through supply reduction initiatives should remain a priority of the National Drug Control Strategy and failure to continue the United States commitment to supply reduction could result in a surge in the domestic availability of illicit drugs as well as destabilize regions and countries with significant drug trade.

Postal Service

The budget should accommodate reforms that acknowledge the Government Accountability Office report this January calling for aggressive actions to reduce costs. The Nation's postal system is in trouble, its finances are deteriorating, and the pressure must be alleviated soon by seriously addressing these issues. The budget should accommodate these reforms, which are critical to the United States Postal Service and the broader postal and delivery sector of the economy, and are more responsive to the health of USPS and to the overall national economy than the President's proposal to cut benefit contributions for postal employees

M.C.

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March 11, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to transmit, pursuant to clause 4(f)(1) of House rule X, the views and estimates of the Committee on Rules, together with Minority Views, regarding the President's fiscal year 2010 budget. This submission was adopted on March 11, 2009 by the Committee on Rules by a non-record vote in an open meeting with a quorum being present.

Although the Committee on Rules does not have legislative jurisdiction over spending or revenues measures required for inclusion in a budget resolution, pursuant to clause 3(j) of rule X and section 301(a) of the Congressional Budget Act of 1974, the Committee does wish to comment on the President's budget reform proposals contained in the portion of the fiscal year 2010 budget entitled "Changing the Way Washington Does Business."

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Restoring Fiscal Discipline and Planning for the Future

Return to Honest Budgeting The President's budget request, for the first time in recent years, provides for a unified Federal budget that includes costs for the wars in Iraq and Afghanistan. The previous administration failed to include this information in any of the recent budget requests. We are pleased that the new President is returning to a more honest budget blueprint that contains the projected cost to the Federal government for the wars in Iraq and Afghanistan. Regardless of anyone's views on these conflicts, we believe it serves no purpose to hide these costs from the American people and the Congress. Failure to disclose these significant costs would seem to render useless any

otherwise reliable budget document or estimate. Spending on the wars consumes a significant portion of our Federal budget and the cost must be disclosed up front for implementation of any realistic budget plan.

Account for Future Emergencies The President's budget includes another important item that has been absent in recent budget requests. That is an estimate of the cost to the Federal government of any natural disasters that might occur in the coming fiscal year. Failure to budget for emergencies is irresponsible. Unfortunately national disasters do happen in this nation and they do present a significant cost to the Federal government. Budget projections that do not factor in these costs simply are not fiscally reliable.

Return to Pay-As-You-Go Budgeting We fully support the President's commitment to return to the practice of pay-as-you-go budgeting. The House of Representatives has already demonstrated its commitment to this goal through the implementation of clause 10 of rule XXI, adopted on the opening day of the 110th Congress, which precludes any direct spending or revenues from increasing the deficit (or reducing the surplus). PAYGO was the fiscal centerpiece of the reforms propounded by the 110th Congress. The Leadership and the Rules Committee have been committed to full compliance with the new PAYGO rule and have required standing committees to include offsets for any new spending. Committees in turn have also complied with the new rule and have worked to ensure that legislation moving through their committees does not increase direct spending. In short, the rule has worked. It has been waived for measures of an emergency nature but has otherwise been successful by imposing fiscal discipline on mandatory spending and revenues.

Creating a More Ethical and Transparent Government and Improving Oversight We are pleased to see that the Administration plans to implement stringent restrictions on executive branch lobbyists and lobbying activities and to increase accountability, transparency, and public access in this area.

Congress, in the last two years in particular, has made a number of similar changes to help ensure a more ethical and transparent government. In addition to the comprehensive and groundbreaking ethical reforms that were adopted in the early days of the 110th Congress for both the legislative and executive branch, the House continues to implement policy changes for increased government accountability. In January of this year, without a single dissenting vote, the House adopted House Resolution 40 which contained new House rules in clause 2 of rule XI and clause 1(d)(3) of rule XI requiring that all committees with executive branch oversight conduct specific and regular oversight activities on those agencies. The new rule will require that each House standing committee conduct at least one hearing during each 120-day period on the topic of waste, fraud, abuse, and mismanagement in the agencies under the committee's jurisdiction. These hearings must include a focus on the most egregious instances of waste, fraud, abuse, and mismanagement as documented by any report the committee has received from a Federal Office of the Inspector General or the Comptroller General of the United States. The rule also requires at least one additional hearing if an agency's

auditors issue disclaimers in that agency's financial report; and finally it requires at least one additional hearing if a program under its jurisdiction is listed as "high risk" for waste, fraud, abuse, and mismanagement by the U.S. Comptroller General.

Increasing Transparency in Earmarks The Committee is pleased that the President recognizes and appreciates the significant reforms that have already taken place since 2006 with regard to earmark reform. We look forward to working with him to further strengthen and improve this process.

Since the beginning of the 110th Congress, the House of Representatives has already implemented the most comprehensive, transparent earmark process in history, with unprecedented reforms to ensure the public that taxpayer dollars are spent for worthwhile programs and activities. On the first day of the 110th Congress, rules were adopted that required Members of Congress requesting an earmark to disclose in writing the name and address of the intended recipient, the purpose of the earmark, and to certify the Member (as well as his or her spouse) had no financial interest in the request. It prohibited trading earmarks for votes. It also required that each bill be accompanied by a list identifying each earmark included and which Member requested it. The list is to be available either in the accompanying committee report or printed in the *Congressional Record* and therefore available online prior to final passage of the underlying vehicle. The rule also provides that this rule cannot be waived virtually guaranteeing that noncompliance with the rule allows any Member to raise a point of order and demand a vote to try and block Floor consideration. A subsequent order in the 110th Congress provided additional protections and votes for earmark disclosure of so-called "airdropped" earmarks in appropriations conference reports. The 111th Congress opening day rules package codified this requirement in clause 9 of rule XXI.

In addition, the Committee on Appropriations has implemented a new committee practice to increase transparency even further. Members will be required to post, at the time of their request, detailed information on all their appropriations earmark requests on their official House websites. Additionally, the Committee will make public earmark disclosure tables even earlier, on the same day the subcommittee reports the bill. The Committee believes these reforms will help ensure that no earmarks can slip through the legislative process unnoticed or unscrutinized.

The Rules Committee remains committed to working closely with the new Administration and the Budget Committee to ensure that the budget process in the upcoming year results in a Federal budget that is fair, fiscally responsible, enforceable, and still meets the needs of the American people. Should you have any questions or concerns regarding this submission, please feel free to contact me or my staff at x5-9091.

Sincerely,

Louise M. Slaughter

Louise M. Slaughter
Chair

cc: Hon. Paul Ryan
Hon. David Dreier

MINORITY VIEWS

The Committee on Rules has no legislative jurisdiction over spending or revenue measures required for inclusion in a budget resolution pursuant to section 301(a) of the Congressional Budget Act of 1974, and therefore it is not necessary for the Committee to transmit its views and estimates pursuant to clause 4(f)(1) of rule X. However, the Majority has chosen to engage in this exercise, and we will as well.

The Majority chose to focus primarily on the portion of the President's budget request for fiscal year 2010 entitled "Changing the Way Washington Does Business." It is important to note that the President's budget document contained no specific budget process proposals, only broad overarching statements of principle that, unfortunately, don't align with the actual budgetary effects of the President's proposal.

"Honest" Budgeting

The President makes the assertion that the fiscal year 2010 budget request is a "Return to Honest Budgeting." The Administration claims credit for submitting a budget that includes the costs of the continued Global War on Terror. In and of itself, we can't find fault with this decision. However, it is interesting that the President's budget assumes that the war in Iraq will remain at fiscal year 2008 surge levels through 2019. Underlying this assumption are the costs associated with maintaining and equipping 160,000 troops or more during 2010-2019 period. Given that this assumption obviously runs counter to the recently announced polices of the current administration, we must ask why.

Upon further examination, the answer becomes obvious. By projecting out assumed spending then winding the war down early in 2010, the budget then assumes "savings" from "assumed" out-year spending levels. It's one thing to take credit for including the cost of war in a budget proposal; it's another to use the cost of the war as a budget gimmick in order to claim false savings.

We similarly applaud the President for planning for the expenses related to natural disasters. However, the Majority's views imply that this is a novel approach, never before attempted. However, a review of recent history shows that a similar proposal — referred to as an "Account for Future Emergencies" — was included in the fiscal year 2007 budget, enacted in the 109th Congress, the last Congress in which Republicans were the majority party. Be it mud slides, wild fires and earthquakes occurring in the far west, to tornados and floods challenging the heartland, or the annual hurricane season which threatens our gulf coast and eastern seaboard, the unfortunate reality is that natural disasters are a common occurrence in United States that we should responsibly account for when compiling the Nation's budget.

Pay-as-You-Go Budgeting

While we recognize the importance of ensuring that spending cannot continue unchecked, we believe that the current formulation of the Majority's so-called "PAYGO" rule, is skewed to increasing the tax burden on the American tax payer, rather than providing for a meaningful mechanism to reduce spending. Just this Congress the Majority passed a stimulus bill that included $508 billion in direct spending without offsets. And while the stimulus bill also included some revenue reductions, it escaped the ambit of the PAYGO rule. Since the stimulus bill was deemed a "general appropriations" measure the PAYGO rules never applied to the direct spending.

On the other hand, those same rules did apply to the revenue reductions and required an "emergency" designation to avoid the need to find corresponding tax increases to balance the bill. This "emergency" designation was a new development in this congress and amounts to a "non-waiver PAYGO waiver." Simply put, if something is designated as an "emergency" then "pay-go" no longer applies, and the Majority does not face the political difficulty associated with trying to pass a rule waiving the PAYGO rule.

There has been a great deal of discussion in the press about the President's support of a statutory approach to PAYGO enforcement. We can only hope that a statutory rule is applied more fairly than the Majority's current regime.

We would also like to take this opportunity to encourage the Majority to review the methodology used by the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) in scoring proposed legislation — something that has taken on new importance in light of the Majority's PAYGO rules. Just as the PAYGO rule itself is biased against tax cuts, we believe that there is a similar bias in scoring methodology.

For instance, the JCT forecast that the 2003 capital gains tax cut would "cost" the Federal Treasury $5.6 billion through fiscal year 2006. In reality, the Federal treasury received an "unexpected" $133 billion of capital gains tax collections through 2006 – a net error of $138.6 billion. We fear that there will be an error of similar magnitude in estimating the revenue effect of the President's proposed increase in the capital gains tax and will exacerbate an already dire budgetary situation. We believe that the method known as "dynamic scoring" better reflects the true economic consequences of tax relief, and encourage the Majority to direct the CBO to score future legislation accordingly so that the actual revenue forecast of future legislation can be more accurately assessed.

Earmarks

We also appreciate the President's commitment to transparency in the earmark process, efforts which build on the reforms enacted by the Republican Majority in the 109th Congress. While the Majority's changes to the rule in the last Congress were billed as a dramatic expansion of the Republican reforms, we have described the loopholes in the House rules that were exploited on numerous occasions to hide earmarks from public view.

While the rule in the 109th Congress provided a question of consideration against the rule as a mechanism for enforcement, and the Majority's rule in the 110th Congress

appeared to preserve that option, the actual practice reveals a rule that cannot be enforced. The structure of the rule in the 109th Congress assumed that every rule would contain a waiver of *all* points of order — including the earmark point of order. That waiver would give rise to the question of consideration on the rule. The Majority's practice of not waving the earmark rule results in the perverse outcome that there is no way for a rank-and-file member to challenge the completeness or veracity of a chairman's earmark statement.

This situation was so bad that the Majority was forced to revisit the rule during the summer of 2007 by passing H.Res. 491, which gave Members the ability to get to the question of consideration. However, unlike the rule — which applied to all appropriations, authorizations, and revenue measures — H.Res. 491 only addressed conference reports accompanying the regular general appropriations measures.

This has led to a situation where Republican Members have discovered numerous instances where committee chairs have failed to accurately disclose earmarks, either willfully or by accident, and the Members have no means by which to bring this issue before the House. One of the most glaring and disturbing examples during the 110th Congress was during consideration of H.R. 6899, which included a provision providing a limited tax benefit relating to the New York Liberty Zone. The Joint Committee on Taxation had previously identified this provision as an earmark, and yet the Chairman of the Committee on Ways and Means submitted a statement for the record asserting that the bill contained no limited tax benefits in clear contradiction of the analysis of the JCT. Yet because the Majority's earmark rule allows no means by which to challenge a Chair's assertion, the House was left with no remedy to address the apparent misrepresentation.

That is by no means the only loophole. The House has discovered through practice that the rule does not apply to the legislative vehicles commonly used by the Majority. We would like to again direct the attention of the Majority to the letter dated October 2, 2007 from the House Parliamentarian, John V. Sullivan, to Chairwoman Slaughter, in response to her inquiries about the application of the Majority's new earmark rule. In the letter Mr. Sullivan states, "...clause 9(a) of rule XXI does not comprehensively apply to all legislative propositions at all stages of the legislative process." Yet the Majority states in their views that they have "...adopted the most comprehensive and far-reaching earmark reforms in the history of Congress...".

Specifically, the earmark rule does not apply to:

- Amendments self-executed by the Rules Committee (which the Majority utilizes at twice the rate of the previous majority);
- Any amendment made in order, but not offered first;
- Any amendment made in order to be offered first if not offered by a Member of a committee of jurisdiction;
- Committee reported amendments; and,
- Amendments between the Houses (utilized more often in the first Session of the 110th Congress than in any session of the previous six Congresses).

If the Majority is serious about their pledge to bring more transparency to the earmarking process in the House, they should take steps to address the flaws in the rule and work with the Minority to restore the integrity of the institution.

Legislative Line Item Veto and Other Budget Reform Proposals

While we understand the Democratic Majority's institutional concerns with previous Administrations' legislative line item veto proposals, we would hope that they would not completely rule out the possibility of a limited legislative line item veto being used to curb wasteful spending, particularly spending originating from the other body. For example, the recently passed Omnibus Appropriation bill containing 9000 earmarks that never went through regular order in the House is evidence enough that such a tool for the executive is necessary. The Ranking Member of the Committee on the Budget, Mr. Ryan of Wisconsin, sponsored a legislative line item proposal in the 109th Congress that passed the House by a vote of 247 to 172, with the support of both Republicans and Democrats. Mr. Ryan introduced a similar measure in the 110th Congress which enjoyed bipartisan support and has just recently introduced the measure again in the 111th Congress. The benefits of a legislative line item veto would be judged on the amount of taxpayer dollars saved and in that light we would simply ask the Democratic Majority to keep an open mind to the concept.

Mr. Ryan isn't the only Member with important and significant budget reform proposals. Many Members, both Republican and Democrat, have insightful budget proposals that some have been championing for years. The fact is that the budget process is broken and has been so for years. It wasn't broken by any one Party or any one President, but has been subject to the erosion of time. The framework established in 1974 desperately needs to be modernized if this or any future President is to succeed. We believe that when, in the President's request, he states, "Just as important as changing what Washington does is to change how it does it." He is speaking specifically about the budget process and the need for comprehensive budget process reform, which is a challenge best addressed on a bipartisan and bicameral basis.

We look forward to working with the Majority Members of the Rules Committee on any issues they do deem appropriate for the Committee on Rules to consider as well as those proposals espoused by the President in his Fiscal Year 2010 budget.

David Dreier

Lincoln Diaz-Balart

Pete Sessions

Virginia Foxx

BART GORDON, TENNESSEE
CHAIRMAN

RALPH M. HALL, TEXAS
RANKING MEMBER

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March 13, 2009

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to the provisions of clause 4(f) of House Rule X of the Rules of the House of Representatives for the 111th Congress and Section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting the Views and Estimates, including Additional and Minority Views, of the Committee on Science and Technology for FY2010. In addition, I am transmitting recommendations to comply with Sec. 321 Oversight of Government Performance as required in the FY2009 Budget Resolution.

Sincerely,

BART GORDON
Chairman

Enclosure

cc: The Honorable Ralph Hall, Ranking Member, Committee on Science and Technology

VIEWS AND ESTIMATES
COMMITTEE ON SCIENCE AND TECHNOLOGY
FISCAL YEAR 2010

The President released a summary of the FY10 budget request on February 26, 2009. The Committee is very pleased that the budget summary recognizes the benefits that science and technology and research and development investments have for our country's economic competitiveness, energy security, job growth, and environmental health. The Committee notes that many of the priorities proposed in the budget summary are consistent with those outlined in two of the Committee's major authorizing bills signed into law during the 110th Congress – the America COMPETES Act (PL 110-69) and the Energy Independence and Security Act of 2007 (PL 110-140). In addition, many of the priorities in the budget summary build upon the science and technology funding that was provided in the American Recovery and Reinvestment Act (PL 111-5). The Committee looks forward to reviewing the detailed budget request later this spring. The following are the Committee's views on key priorities in the budget summary related to programs within the Science and Technology Committee jurisdiction.

National Aeronautics and Space Administration (NASA)
The budget provides $18.7 billion for NASA in FY10. The FY09 omnibus appropriations bill provided $17.8 billion and the Recovery Act provided $1 billion. The budget summary is generally consistent with the priorities of the NASA Authorization Act of 2008 (PL 110-422), including support for Earth science and climate change monitoring; human and robotic space exploration; completion of the International Space Station; aeronautics research to transform the air traffic control system and support more efficient aircraft; and retirement of the Space Shuttle in 2010, with the possibility of one additional flight. However, further details will be needed to better assess the Administration's specific budget priorities for NASA.

The Committee believes that NASA should continue to engage in the most cutting-edge research and serve as inspiration for the next generation of scientists and engineers. To do this, NASA will need the resources to fulfill each of its diverse missions - space exploration, science, aeronautics research and development, and education. The Committee plans to move a multi-year NASA reauthorization this year to further direct and balance the agency's programs.

National Science Foundation (NSF)
The budget provides $7 billion for NSF in FY10. The omnibus provided $6.5 billion and the Recovery Act provided $3 billion for the agency. The budget increases support for high-risk, high-reward research; early-career researchers through the Graduate Research Fellowship and Faculty Early Career Development programs; partnerships between two-year colleges and the private sector to train science and engineering technicians; and climate change research and education.

The Committee notes that since its creation in 1950, NSF has been tasked with strengthening science, technology, engineering and mathematics (STEM) education at

all levels. NSF's education programs are unique in their peer review processes, their linkage to higher education, and their resulting capacity to develop new and improved educational materials and assessments, create better teacher training techniques, and move promising ideas from research to educational practice. In particular, the Committee supports robust funding for the Robert Noyce Teacher Scholarship Program, which is helping to recruit and train the next generation of K-12 STEM teachers by providing scholarships for students to earn a degree in a STEM field while learning content-oriented pedagogy and following a streamlined path toward teacher certification. NSF is also uniquely positioned to help broaden participation in STEM fields at all levels, in particular through institutional capacity building grants and grants that integrate research and education.

Department of Energy (DOE)
The budget provides $26.3 billion overall for the Department of Energy in FY10, and notes that the budget request will support:

- Significant increases in funding for basic research and world-leading scientific user facilities to support transformational discoveries and accelerate solutions to our Nation's most pressing problems – including the development of clean energy;
- The transition to a low-carbon economy through increased support of the development and deployment of clean energy technologies such as solar, biomass, geothermal, wind, and low-carbon emission coal power;
- Smart grid technologies and other investments to modernize and enhance the electric transmission infrastructure to improve energy efficiency and reliability; and
- Early commercial deployment of innovative, clean energy technologies through loan guarantees.

The Committee is pleased that the budget supports these areas, including increased funding for the DOE Office of Science (in addition to the $4.8 billion provided in the omnibus and $1.6 billion provided in the Recovery Act) to: improve our understanding of climate science; continue the U.S. commitment to international science and energy experiments; and support graduate fellowships that will train students in critical energy fields. In addition, the Committee supports the Administration's goal of accelerating research, development, demonstration, and commercialization of clean energy technologies and the Administration's call for increased investment in carbon capture and storage (CCS) technologies (in addition to the $3.4 billion provided in the Recovery Act and additional funds provided in the omnibus for coal and CCS).

The Committee also agrees with the budget increase for "promising but exploratory and high-risk research proposals that could fundamentally improve our understanding of climate, revolutionize fields of science, and lead to radically new technologies." Along these lines, the Committee strongly supports aggressive implementation of the Advanced Research Projects Agency for Energy (ARPA-E) at DOE. As recommended by the National Academies and authorized in COMPETES, ARPA-E will be tasked with high-risk, high-reward energy technology development, especially research that is too cross-cutting or multi-disciplinary to fit into the current DOE stovepipes. ARPA-E will bring together the best and the brightest from all sectors - national labs, academia, and the private sector - give them resources and autonomy, and get bureaucracy out of their

way. The omnibus and the Recovery Act provided a total of $415 million for ARPA-E. The National Academies recommended that the program grow to $1+ billion annually.

National Institute of Standards and Technology (NIST)
The budget supports investment in our country's economic competitiveness by promoting innovation in U.S. manufacturing and advancing science, standards, and technology at the Department of Commerce. Given that, as the budget summary notes, manufacturing employment has hit a 60-year low, the Committee is pleased that the budget supports small- and medium-sized businesses through $125 million for the Manufacturing Extension Partnership (MEP) and $70 million for the Technology Innovation Program (TIP) in FY10. Both of these programs were consistently reduced or zeroed-out by the previous Administration despite both programs' strong record of creating jobs and providing a large return on investment.

The Committee also supports FY10 funding for NIST research and facilities at the levels authorized in COMPETES.

National Oceanic and Atmospheric Administration (NOAA)
The budget prioritizes prediction and monitoring of weather and climate at NOAA, providing $1.3 billion to fund the development and acquisition of weather satellites and climate sensors. The omnibus provided $966 million and the Recovery Act provided $600 million for these activities. The Committee is encouraged that funds are provided to restore several climate sensors; expand the computing capacity NOAA needs to maintain the continuity of climate data records; and develop more refined models to project climate change impacts at a more refined scale.

In addition, the Committee is pleased that the budget summary notes the importance of funding to "advance climate and ocean research, including efforts to understand and monitor ocean acidification."

Department of Transportation
The budget notes that the Administration plans to work with Congress to reform surface transportation programs to make investments in a more sustainable future. The Committee supports this goal and plans to move legislation this year to restructure and refocus surface transportation research and development programs to better address congestion, maximize energy efficiency, and reduce environmental impacts.

The budget provides $800 million for the Federal Aviation Administration (FAA) to support the Next Generation Air Traffic Control System (Next Gen), a long-term effort to improve the efficiency, safety, and capacity of the air traffic control system. The Committee strongly supports Next Gen, including both the FAA and NASA research and development components of the program. The Committee's position on the FAA component of Next Gen is included in HR 915, the FAA Reauthorization Act of 2009.

Department of Homeland Security (DHS)
The budget provides $355 million to enhance cybersecurity technology research and development and make private and public sector cyber-infrastructure more resilient and secure. The Committee has long been at the forefront of addressing cybersecurity issues, which only grow in importance as more and more of our infrastructure and economy are dependent on computers and the Internet. The Committee looks forward to reviewing further details of the Administration's plans in this area.

The Committee also plans to move legislation this year to ensure that DHS aligns its research priorities with the most critical threats and homeland security needs and ensures that the technology developed meets reliable testing and evaluation standards as well as the needs of end-users. The Committee expects to include in these efforts research on technologies such as unmanned aerial vehicles and tunnel detection to improve border security.

Environmental Protection Agency (EPA)
The budget provides $3.9 billion for research, regulation, and enforcement at EPA, a significant increase compared to previous years. In recent years, the Committee has noted the need for increased funding for research and development at EPA to ensure that regulations are scientifically sound and cost effective. The EPA Science Advisory Board has also recommended increased budgets for the Office of Research and Development since 2005. The Committee is encouraged by the proposed increase and would expect that this budget level will allow for funding of initiatives such as the assessment of the health and safety of nanotechnology products, developing clean-up standards for methamphetamine contamination, and assessment of the impacts of climate change on society and ecosystems.

Small Business Innovation Research
The budget summary does not specifically reference the Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) programs. However, the Committee believes these programs are another important tool to promote economic growth, job creation, innovation, and the commercialization of new technologies into the marketplace. The Committee plans to move legislation similar to HR 5819 from the 110th Congress to increase investment in these programs and refocus that investment to better meet the needs of small businesses in emerging industries.

Department of State and International Programs
The budget provides additional funding for key programs that advance U.S. foreign policy goals, including funding for energy initiatives and programs addressing global climate change. The Committee recognizes the need for better coordination of international science and technology efforts to better leverage both the expertise and resources throughout the world to address global challenges (such as energy and climate change, among others) and the diplomatic benefit of international science and technology activities. The Committee plans to move legislation on this issue and looks forward to seeing a more detailed budget request to support these activities.

SEC. 321 OVERSIGHT OF GOVERNMENT PERFORMANCE

Under Sec. 321 of S. Con Res. 70 (the FY2009 Budget Resolution), committees were directed to review programs within their jurisdictions to root out waste, fraud, and abuse in program spending.

In the 110th Congress, the Science and Technology Committee reestablished the Subcommittee on Investigations and Oversight to help identify instances of waste, fraud, and abuse that could create savings for the Federal taxpayer.

During the past two years, the Committee has run a very aggressive, wide-ranging oversight operation. House Rule X sets the Committee's jurisdiction, but the legislative jurisdiction assigned to the Committee is narrower than the oversight jurisdiction. Rule X also assigns the Committee special oversight responsibility for "reviewing and studying, on a continuing basis, all laws, programs, and Government activities dealing with or involving non-military research and development." The Committee appreciates the special function entrusted to it and will continue to tackle troubled programs and search for waste, fraud, and abuse in non-military research and development programs regardless of where it may be found.

In the last Congress, the Committee collectively authored almost 250 oversight letters and held 80 oversight hearings. The Committee is committed to building on this record in the 111th Congress. The Committee also routinely works with GAO and the Inspectors General of our agencies to maintain detailed awareness of the work of those offices. Currently, the Committee has 30 accepted requests for work pending with GAO and more will be developed over the coming months.

Government waste and contractor abuses were an important focus of the work of the Committee during the 110th, and this area will gain renewed attention in the 111th. In the 110th, work by the Committee led to Appropriations reductions of $17.8 million with another $1.5 million in Federal property identified for reclaiming from a contractor. The Committee also identified a program that had misspent hundreds of millions of dollars during a computer acquisition; that program has since been significantly restructured. Finally, the Committee has been working with GAO and other Committees to instill rigor and transparency into the proposed acquisition of new radiation portal detection monitors; that work has kept between $2 billion and $3 billion from being committed to acquiring immature and unproven technologies.

The Committee has also kept pressure on NOAA to rein in contractor costs and improve performance in the acquisition of next generation weather and climate satellites, which have experienced a multi-billion dollar cost overrun. It is hard to calculate the savings that come from the Committee's work in this area, but it is likely that without this oversight, the cost overruns would be even higher.

In the 111th Congress, the Committee will expand its work on identifying contractor abuses and cost savings by undertaking a wide-ranging review of contracts let by our

agencies in the past few years. The Committee will be looking for specific instances of abuse and lessons on how to better manage contract competitions and awards so that taxpayers know their money is being well spent.

A more detailed description of the Committee's planned oversight activities can be found in the Committee Oversight Plan: http://democrats.science.house.gov/Media/File/111th%20Oversight%20Plan.pdf.

Bart Gordon

Jerry F. Costello

Bill Luther

Marcia L. Fudge

Charlie Wilson

Sabrina Jeffries

Parker Griffith

Lynn Woolsey

Henry E. Mitchell

Steve N. Rothman

Gus Bilirakis

Gary C. Peters

Ben Chandler

David Joyce

Eddie Bernice Johnson

Paul Tonko

Alan Grayson

Kathy Castor

Brad Ellsworth

List of Signatures

1. Rep. Bart Gordon
2. Rep. Ben Ray Lujan
3. Rep. Lincoln Davis
4. Rep. Charlie Wilson
5. Rep. Brian Baird
6. Rep. Lynn Woolsey
7. Rep. Steve Rothman
8. Rep. Gary Peters
9. Rep. Daniel Lipinski
10. Rep. Paul Tonko
11. Rep. Kathy Dahlkemper
12. Rep. Brad Miller
13. Rep. Jerry Costello
14. Rep. David Wu
15. Rep. Marcia Fudge
16. Rep. Gabrielle Giffords
17. Rep. Parker Griffith
18. Rep. Harry Mitchell
19. Rep. Russ Carnahan
20. Rep. Ben Chandler
21. Rep. Eddie Bernice Johnson
22. Rep. Alan Grayson

Minority Views and Estimates
Committee on Science and Technology
Fiscal Year 2010 (FY10)

It is important that we continue to make appropriate investments in science and technology research, development, and math and science education in order for the United States to remain a world leader in competitiveness and innovation. While Committee Republicans agree with the Majority that the Administration's budget summary "recognizes the benefits that science and technology and research and development investments have for our country's economic competitiveness, energy security, job growth and environmental health," we are also mindful that in the current economic environment, the nation faces numerous and difficult budgetary decisions that will require our careful consideration, diligent oversight, and appropriate action.

We are pleased that the budget summary continues to build on the American Competitiveness Initiative and the America COMPETES Act (COMPETES) (P.L. 110-69) by keeping America on track to double the funding for physical sciences and engineering at the National Science Foundation (NSF), the National Institute of Standards and Technology (NIST), and the Office of Science at the Department of Energy (DOE), but have some concerns that the Administration may be accelerating this funding beyond authorized levels. While we were disappointed that the House Leadership and Appropriators did not adequately fund these agencies in the FY08 Omnibus (P.L. 110-161), we are skeptical about the unprecedented amounts currently being appropriated and the rate at which this is occurring, with no oversight. The Administration considers the $5 billion "investment in key science programs" included in the American Recovery and Reinvestment Act (Stimulus) (P.L. 111-5) to be a "significant down payment" toward doubling the funding for NSF, NIST, and the DOE Office of Science, in addition to the full-year amounts requested in the FY09 Omnibus. There are only 6 months left in FY09.

The Administration's budget summary offers only the overall budget request amounts for each agency and provides a brief narrative on Administration policies, which gives some limited guidance for NSF and NASA. Unfortunately, we do not have top line budget numbers for the National Oceanic and Atmospheric Administration (NOAA), NIST, DOE Office of Science and a number of other Science and Technology Committee jurisdictional areas such as the Department of Transportation research and development, the Office of Science and Technology Policy, the U.S. Fire Administration, and interagency programs such as the National Nanotechnology Initiative (NNI), the Networking Information Research and Development program (NITRD), or the Earthquake Hazards Reduction program.

Along with the Majority, we look forward to receiving a more detailed budget request.

National Aeronautics and Space Administration (NASA)
The Committee has sought to enable NASA to succeed as a multi-mission agency in carrying out the goals expressed in the NASA Authorization Act of 2008 (P.L. 110-422). In general, Committee Republicans concur with the Majority that the budget seems consistent with the priorities of the NASA Authorization Act of 2008, including retirement of the Space Shuttle following completion of the International Space Station and one additional flight to deliver the Alpha Magnetic Spectrometer. We applaud the Administration's reaffirmation of NASA's initiatives to return humans to the Moon by 2020 as part of a robust space exploration program, while also stimulating the private-sector to develop and demonstrate commercial crew and cargo delivery services to the International Space Station.

We are encouraged that the Administration's budget provides $18.7 billion for NASA in FY10. However, additional details are needed to adequately evaluate the Administration's goals and intent. For example, it is unclear whether the "new space flight systems for carrying American crews and supplies to space" is the Constellation System already under development. With Constellation, NASA is in the midst of a once-in-a-generation development of a new human launch system. This is the largest launch vehicle development since the beginning of the Space Shuttle program, with the added requirement of being capable of safely returning humans to the Moon. We are concerned that the flat funding profile in the Administration's out year projections may be unrealistic for such a large scale development effort without jeopardizing NASA's ability to successfully accomplish its portfolio of missions.

We also endorse the Administration's commitment to modernize our nation's air traffic control network by allocating $800 million to the Next Generation Air Transportation System. This multi-agency program, led by the FAA and NASA, requires a high level of research, development, and validation to ensure mission success. A robust, safe and efficient air transportation system, capable of handling three-times current traffic levels, is fundamental to promoting economic growth as well as maintaining our quality of life.

National Science Foundation (NSF)
The FY10 budget request for NSF is $7 billion. This is $1.1 billion less than what was authorized in COMPETES; however, NSF also received $3 billion in the Stimulus and is slated to receive another $6.5 billion in the FY09 Omnibus for roughly a six-month period. Committee Republicans support a robust budget request for NSF, but remain concerned that we not exceed current authorization amounts. We hope to see FY10 increases spread across all of the research fields NSF supports in the more detailed budget.

With regard to education, we agree with the Majority that NSF has an important and unique role to play in strengthening science, technology, engineering, and mathematics (STEM) education at all levels. We further agree with the Majority that the FY10 budget should provide, to the extent practical, sufficient funding for the Robert Noyce Teacher Scholarship Program in order to achieve the goals set out in COMPETES. We note that the budget summary highlights the Advanced Technological Education program (ATE) and the Graduate Research Fellowship and Faculty Early Career Development programs, all programs

that were also emphasized in COMPETES, but fails to mention the COMPETES-authorized Math and Science Partnerships program (MSP).

The budget summary makes climate change research and education a priority. We note that NSF currently funds numerous research and education programs that address climate change.

Department of Energy (DOE)

In general Committee Republicans agree with the Majority's views on the budget summary for the DOE. However a majority of us in the Minority continue to be opposed to the establishment of an Advanced Research Projects Agency for Energy (ARPA-E). Those of us in opposition maintain the view that creating a new agency to do work that is currently being done at the DOE is not a justified use of the limited funds available to the Department, and we support the Department's previous decision to not establish ARPA-E, but to engage in ARPA-E-type projects within the current DOE structure.

We also express our deep disappointment that the President's budget summary proposes to repeal the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Program that was established in Section 999 of the Energy Policy Act of 2005 (P.L. 109-58). Section 999H(a) sets the funding for this program at a level of $50-million-per-year provided from Federal lease royalties, rents, and bonuses paid by oil and gas companies – not taxpayers. It should be clear that the overall program was initiated and carried out to reach energy known to exist in the areas targeted – energy that was impossible to produce without new technology – and that the required technology would be eventually paid for from the energy captured. The funds are to be directed towards research specifically targeting four areas: ultra-deepwater resources, unconventional natural gas and other petroleum resources, technology challenges of small producers, and research complementary to these areas. While we are wholly supportive of research into renewable and alternative forms of energy, we feel that domestically produced oil and natural gas will continue to play an important role in powering our country and must therefore receive support to increase our domestic supply and reduce our foreign dependence. The budget summary appears to focus solely on coal within the area of fossil energy research and development. We are pleased that research into carbon capture and storage is playing a prominent role in the budget summary, but we encourage the Budget Committee to continue to recognize the importance of oil and natural gas research and development to our country's future.

We note the President's proposal to scale back the Yucca Mountain program to "those costs necessary to answer inquiries from the Nuclear Regulatory Commission" and hope that this announcement and decision does not have a detrimental effect on building new nuclear plants in the United States, but would rather expedite research and development into reprocessing of spent nuclear fuel and the next generation of nuclear plants. Nuclear energy is just the type of clean energy technology that will reduce dependence on foreign oil that President Obama talks about in his budget blueprint.

National Institute of Standards and Technology (NIST)
The Department of Commerce's NIST supports U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology to enhance economic competitiveness and address important societal challenges. The Administration's FY10 budget summary does not include an overall agency total for NIST, but specifies a request of $70 million for the Technology Innovation Program (TIP) and $125 million for the Manufacturing Extension Partnership (MEP).

NIST's core research and facilities programs are widely recognized as well-managed, high-leverage activities supported by world-class researchers. Accordingly, Committee Republicans continue to believe these activities should receive priority in the budget, and, along with MEP and TIP, be funded in accordance with the levels authorized in COMPETES. Additionally, we intend to continue close oversight of NIST's budget and activities, and hope to work with the majority and the Administration to ensure appropriate and effective use of taxpayer dollars. Of particular interest will be NIST's recently created external construction grant program, which received a dramatic increase in the stimulus bill even though the program has not been authorized or formally reviewed and considered by the Committee.

National Oceanic and Atmospheric Administration (NOAA)
Committee Republicans agree with the Majority regarding support for the FY10 funding request of $1.3 billion for satellite and instrument acquisitions at NOAA. However, we believe this request is a substantial increase compared to previous years, requiring much greater oversight by the Committee of NOAA's plan to use them.

Department of Transportation (DOT)
The budget summary does not include information on research and development activities at DOT (most DOT R&D is funded through mandatory spending), but does note that the Administration intends to work with Congress to reform transportation programs as we near expiration of the 2005 Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Committee Republicans welcome this commitment to reform, and look forward to working with the Majority, the Administration, and the Transportation and Infrastructure Committee to produce a responsible bill that strengthens Federally-funded transportation R&D programs.

Department of Homeland Security (DHS)
The Administration's budget summary does not include information on science and technology activities at DHS, except to note that $355 million is requested for cybersecurity activities that include research and development. Committee Republicans are pleased to see cybersecurity highlighted as a key priority in the budget and look forward to reviewing further details on DHS programs in this area. We also look forward to reviewing budget details for major programs within our jurisdiction—the DHS Science and Technology Directorate, Domestic Nuclear Detection Office (DNDO), and firefighter grants programs—which together total over $2 billion. We also welcome the Majority's commitment to pursue legislation to better align DHS research priorities to address the most critical threats and departmental needs.

Environmental Protection Agency (EPA)

Committee Republicans share the Majority's view that investments in research and development will be beneficial in the form of greater cost-efficiency of environmental protection programs. However, we believe that any increase in funding levels should be done with thoughtful consideration. The $3.9 billion FY10 budget request for research, regulation and enforcement is almost an 18 percent increase over the FY09 request. Although we are aware that funding level requirements for research and development go through cycles, this budget request increase, by nearly one-fifth, may be out of proportion to what is needed; therefore, the minority would encourage increased oversight of EPA's research and development agenda.

Ralph M. Hall

Lamar Smith

Roscoe Bartlett

Vernon J. Ehlers

Frank D. Lucas

Judy Biggert

W. Todd Akin

Randy Neugebauer

Bob Inglis

Michael T. McCaul

Mario Diaz-Balart

Brian P. Bilbray

Adrian Smith

Paul Broun

Pete Olson

Congressman Grayson
Additional Views and Estimates

National Oceanic and Atmospheric Administration (NOAA)

The United States is extremely vulnerable to hurricanes, while our coastal areas are becoming more and more heavily populated. A National Academies Study found that half of the U.S. populations live within 50 miles of coastline. The devastation and impact of recent hurricanes have demonstrated the urgent need for an improved understanding of hurricanes and the ways in which we can better prepare to minimize loss of life and destruction of property. Billions of dollars are lost in hurricane-related events and will most likely escalate in the coming years. While billions of tax dollars are spent on rescue and relief efforts after a hurricane strikes, the federal government invests relatively little in the science and engineering research that could greatly minimize these costs and save lives.

More funding is needed to improve our ability to predict hurricanes and their intensity, and on mitigating the devastating affects on coastal populations and infrastructure. Research is needed to more quickly and accurately predict hurricane intensification, size, and location of landfall. Evacuations carry their own expenses and risks and we need to be certain they are necessary before state and local emergency managers issue these orders.

Modeling and understanding storm surges, rainfall, and flooding from hurricanes are of a great importance. In my opinion, improving hurricane storm observation technology can be done through GPS technology, unmanned aerial vehicles, mobile radars, high performance computing, satellites, etc. I encourage the Budget Committee to increase funding for the National Oceanic and Atmospheric Administration (NOAA) to ensure we have the best tools and can move weather forecasting technologies and models forward.

I am encouraged to see that some of these technologies received increases in the Recovery Act. The Science Committee continues to closely monitor the procurement, development and acquisition of the weather satellites to ensure new satellite systems such as the Geostationary Operational Environmental Satellite-R series (GOES-R) are on-track. Therefore, I also recommend the Budget Committee provide sufficient funds to National Aeronautics and Space Administration (NASA) for development of these new satellite tools and support a more effective transition of satellite technologies developed by NASA that have proven beneficial for improved weather forecasting to be integrated into NOAA's operational suite of tools.

Alan Grayson
Member of Congress

Additional Views and Estimates (FY 2010)

We agree with the priorities expressed in these views and estimates, and concur with the statements of both the Majority and the Minority regarding our pressing need to increase investments in our nation's science initiatives. American innovation and ingenuity has placed us a global leader in research and development, and if we are to remain there, our commitment to our scientists, engineers, researchers and students must not waver.

We support the Minority views that we need to ensure that ongoing basic and applied research at the National Science Foundation (NSF), the National Institute of Standards and Technology (NIST), and the Office of Science at the Department of Energy (DOE), does not suffer from any future decreases. Beyond funding these vital science agencies, we see value in contributing resources to efforts to overcome current hurdles in moving breakthrough technologies from the laboratories to the marketplace. For this reason, we support the Advanced Research Projects Agency for Energy (ARPA-E).

Bob Inglis
Member of Congress

Vernon J. Ehlers
Member of Congress

Committee on Science and Technology
U.S. House of Representatives
Additional Views

The Minority Views and Estimates for the Committee on Science and Technology incorporate many positions that I support regarding the future of the various agencies under the Committee's jurisdiction. However, I want to emphasize the need to be vigilant in our oversight of these agencies and their budgets. In these difficult times, it is incumbent upon the Committee to not let the taxpayer down. As the American people are being forced to tighten their belts and make difficult financial choices, this Committee must do the same. I worry that some of the budget increases in certain agencies, coupled with the massive outlays in the recently passed American Recovery and Reinvestment Act of 2009 are unsustainable, and in some areas are unwarranted, and goes beyond the levels authorized by this Committee. With each program, the Committee must ask the tough questions. Is this program necessary? Can we afford this program? Is this program already being done? How do we measure success or failure of the program?

Additionally, the Administration's budget seeks to make climate change a priority. As money is dispersed to this end, I believe we need to make sure that whatever conclusions that may be drawn are in fact based on sound science and that any policy initiatives should not be implemented without Congress and this Committee's active participation.

Paul Broun
Member of Congress

SENIOR DEMOCRATIC WHIP

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
CHAIRWOMAN, SUBCOMMITTEE ON WATER RESOURCES & ENVIRONMENT
SUBCOMMITTEE ON AVIATION
SUBCOMMITTEE ON RAILROADS

COMMITTEE ON SCIENCE AND TECHNOLOGY
SUBCOMMITTEE ON RESEARCH AND SCIENCE EDUCATION
SUBCOMMITTEE ON INVESTIGATION AND OVERSIGHT

CHAIR, TEXAS DEMOCRATIC DELEGATION

CONGRESSIONAL BLACK CAUCUS
CHAIR, 107TH CONGRESS

Eddie Bernice Johnson
Congress of the United States
30th District, Texas

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ADDITIONAL VIEWS
COMMITTEE ON SCIENCE AND TECHNOLOGY
FISCAL YEAR 2010 BUDGET

Now is the time to act boldly to produce a more diverse, well-educated workforce in science, technology, engineering, and mathematics (STEM). Federal research agencies can have a major impact on our nation's future competitiveness in these areas. Investments in research and education programs with demonstrated success represent wise stewardship of our nation's resources. Specifically, we must invest in segments of our population that are not pursuing these areas in order to foster a climate of diversity, creativity and competitiveness. We must also support policies that target gaps in the STEM workforce pipeline – such as the early-career faculty period – where we are losing precious human capital.

Below is a summary of some of these programs, along with my recommendations regarding their support. Some recommendations were made while keeping in mind an annual inflation rate of 3.8%[1].

National Science Foundation

Rather than focusing on infrastructure support, I recommend that the Foundation be given robust increases for extramural research and education activities. NSF "Broadening Participation" programs[2] are particularly effective in encouraging women and under-represented minorities to pursue STEM careers. The President suggests $7b for NSF for FY10, and the omnibus ($6.5b) and Recovery Act ($3b) will fund NSF at $10.5b. I recommend more robust funding for NSF, with a total of $10 billion for FY10.

Below are critical programs at that should receive sustained funding.

NSF Program	FY09 Appropriation	FY10 Request	EBJ Request	Note
NSF Programs Specified in America COMPETES				
Robert Noyce Scholarship Program	NS[3]	NS	$140.5m	Recommended by America COMPETES[4]
NSF: Faculty Early Career Development (CAREER) Program	NS	NS	$203.8m	Recommended by America COMPETES

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NSF Program	FY09 Appropriation	FY10 Request	EBJ Request	Note
NSF: Science, Technology, Engineering and Math Talent Expansion Program (STEP)	NS	NS	$55m	Recommended by America COMPETES
NSF: 'Partnerships for Access to Laboratory Science-- Sec 7026 of COMPETES Act	NS	NS	$5m	Recommended by America COMPETES
NSF: Hispanic-serving Institutions Undergraduate Program-- Sec 7033 of COMPETES Act	NS	NS	$5m	No specific funds authorized by COMPETES
NSF: Advanced Technology Education (ATE)	NS	NS	$64m	Recommended by America COMPETES

Other Important Broadening Participation Programs at NSF	FY09 Appropriation	FY10 Request	EBJ Request	Note
Minority Post-Docs	NS	NS	$10m	
ADVANCE Women's Program	NS	NS	$27m	25% increase from FY08 estimate
Informal Science Education (ISE)	NS	NS	$81m	25% increase from FY08 estimate
Broadening Participation in Computing (BPC)	NS	NS	$17.5m	25% increase from FY08 estimate
Graduate Research Fellowships - Women in Engineering and Computer Science	NS	NS	$10m	25% increase from FY07 actual

Department of Energy

Neither the FY09 Omnibus Appropriations Act nor the President's initial FY10 budget request contained language specifying funds for education programs at the Department of Energy Office of Science. The America COMPETES Act of 2007 did authorize funds for several vital education and research programs. Recommendations for those are listed below.

In addition, net metering and smart grid technology investments, as well as ARPA-E, will empower individuals to use energy more wisely. We must boldly move energy efficiency to a personal level with stronger incentives. Some states are excelling at this effort, and greater federal engagement is needed.

DOE Program	FY09 Appropriation	FY10 Request	EBJ Request	Note
DOE Early Career Awards for Science, Engineering, and Mathematics Researchers	NS	NS	$25m	Recommended by America COMPETES
Summer Institutes	NS	NS	$25m	Recommended by America COMPETES
Pilot Program of Grants to Specialty Schools for Science and Mathematics	NS	NS	$30m	Recommended by America COMPETES
Experiential-based Learning Opportunities	NS	NS	$7.5m	Recommended by America COMPETES
National Laboratories Centers of Excellence in Science, Technology, Engineering, and Mathematics Education	NS	NS	$5m	No specific amount authorized in COMPETES

Office of Science and Technology Policy
Funding for OSTP has been neglected so severely over the past decade that the administration's team of STEM advisors has dwindled by two thirds. OSTP must be restored to the strong, science-based, consultative body that is needed to coordinate cross-agency science programmatic activities and to liaison with the legislative branch.

Program	FY09 Appropriation	FY10 Request	EBJ Request
OSTP	$5.3m	NS	$20m

National Aeronautics and Space Administration
Engineering is the number one field in which women and minorities are most under-represented. More robust funding of NASA education activities to broaden participation will be needed to utilize our workforce potential more fully.

The total FY09 omnibus appropriation for NASA specified $169.2 million for the Education account. I recommend that NASA Education be funded at $200 million; I support retaining the overall NASA appropriation at the President's suggested $18.7 billion. One particular program, called MUREP, has a demonstrated success record for increasing diversity among NASA-related researchers.

NASA Program	FY09 Appropriation	FY10 Request	EBJ Request
NASA Education	$169m	NS	$200m
NASA Minority University Research and Education Programs (MUREP)	NS	NS	$50m

Department of Commerce – National Institute of Standards and Technology
These programs provide needed guidance to small businesses and also invest in small, start-up companies.

Program	FY09 Appropriation	FY10 Request	EBJ Request	Note
Manufacturing Extension Partnership (MEP)	$110m	$125m	$137.5m	25% increase from FY09 actual
Technology Innovation Program	$65m	$70m	$81.25m	25% increase from FY09 actual

Thank you for considering these requests. The programs mentioned above provide direct support to researchers, inventors, teachers, and students. They have demonstrated success in enhancing our STEM workforce so that it is more diverse, better educated, and more robust in the face of a "gathering storm" of international competitors.

Sincerely,

Eddie Bernice Johnson
Member of Congress

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[1] Source: http://www.usinflationcalculator.com/inflation/current-inflation-rates/
[2] A list of these programs and their funding amounts is at: http://www.nsf.gov/about/budget/fy2009/pdf/11_fy2009.pdf
[3] NS means "not specified."
[4] For references to the America COMPETES Act, funding totals were found at this source: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ069.110.pdf

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CHAIRWOMAN

SAM GRAVES, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
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March 11, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am writing to advise you of the views and estimates of the Committee on Small Business with regard to the fiscal year (FY) 2010 budget. In addition, this letter contains the Committee's recommendations pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 for rooting out waste, fraud, and abuse, and improving governmental performance.[1]

The Committee on Small Business has legislative jurisdiction over the Small Business Administration (SBA) and this letter accordingly focuses on the fiscal year 2010 budget request for this agency and the program it operates under the authorizations contained in the Small Business Act (15 U.S.C. 631 et seq.) and the Small Business Investment Act (15 U.S.C. 661 et seq.). These programs are included in the 370 Commerce and Housing Credit budget account.

OVERVIEW

The formulation of the fiscal year 2010 budget comes during a time when the economy is in a recession. Unemployment stands at 8.1 percent and monthly job losses have exceeded more than 600,000 for three consecutive months. Demonstrating the broad and historic impact, consumer confidence fell to an all-time low last month. Housing prices remain a significant drag on the economic activity, with home prices falling for 27 months in a row. Almost every sector is struggling, including manufacturing, construction, and retail, with the recession having a broad and deep impact on all regions of the U.S.

[1] Committee recommendations that will limit waste, fraud, and abuse, and improve governmental performance are footnoted in this letter.

Given the breadth of the recession, small businesses are being adversely affected on numerous fronts, including declining revenue and profitability, challenges related to high health care costs, and lack of access to capital. Many entrepreneurs are struggling to endure the current challenges and do not have the cash flow and assets to maintain their payroll or make additional investments. Compounding this problem are the challenges they face in securing credit. A recent survey by the National Small Business Association (NSBA) found that more than half of business owners said they have faced difficulties securing credit over the last year. The Federal Reserve has recently cited that 75 percent of domestic banks had tightened their lending standards to small firms. The result is that fewer small businesses are able to secure financing to hire new employees or expand their operations.

In response to the weakening economy, the Committee proposes a budget for the SBA of $1.43 billion, which will provide funds for the agency's core programs, on-going operating expenses, and continuing modernization efforts. This will provide more than $29 billion in loans and investment for small firms and provide $1.1 billion in financial assistance for small businesses affected by disasters. In addition, the Committee is recommending the termination of six agency programs that are either duplicative of other initiatives or are ineffective in achieving their mission. This budget, if enacted, would provide small businesses with the tools they need to weather the current economic crisis, while also building the foundation for a recovery.

LENDING AND INVESTMENT PROGRAMS[2]

7(a) Loan Program

The original mission of the 7(a) program was to provide entrepreneurs who could not access traditional capital markets with an affordable source of loans. In its current state, however, the 7(a) program is more expensive and less attractive to both small business and financial institutions that seek to participate in the program. This has become particularly problematic in the current economic climate where severe dislocations in the national and global credit markets have pushed credit availability past historic lows, making this program more important than ever.

As a result, funding for the 7(a) program must be adequate to sustain the elimination of borrower and lender fees as enacted in P.L. 111-5, the American Recovery and Reinvestment Act of 2009 and make sufficient capital available to meet the needs of borrowers in an economic environment where traditional sources of credit have experienced an unprecedented contraction in availability. To achieve these objectives, the Committee requests new funding of $606.25 million and a carryover of the $93.75 million made available in P.L. 111-5 for the purposes of fee reduction for 7(a) loans for

[2] The SBA and the OMB have not provided the Committee with credit subsidy rate estimates for FY 2010, which creates difficulties regarding the Committee's recommendations for appropriations and program volumes for the SBA's loan and investment programs. Due to this circumstance, Committee staff has estimated credit subsidy rates for fiscal year 2010.

fiscal year 2010. In total, this $700 million in funding would provide for a program level of $17.5 billion.[3] With the program's current pace of lending for FY 2009 only projected to reach $5.57 billion, a program level at $17.5 should be adequate, even accounting for a significant increase in lending activity that may result from the fee reductions and other measures contained in P.L. 111-5, the American Recovery and Reinvestment Act of 2009.

With regard to fully implementing and maintaining the increased guarantees and fee reductions contained in P.L. 111-5, however, any funds made available for these purposes should be first applied to reduce borrower fees and support higher guarantees before being used to reduce fees paid by lenders. Additionally, where resources are used to reduce lenders' costs of participating in the 7(a) program, small lenders (those with $1 billion or less in assets) should receive priority in fee reduction.

While the plain language of the provisions for reduced fees for 7(a) loans contained in P.L. 110-140, the Energy Independence and Security Act of 2007, and P.L. 110-186, the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008, reflects the intent of Congress that these programs function within the existing zero-subsidy policy of the 7(a) program, the Committee supports $1 million in additional administrative funds be provided for the agency to immediately take action to implement the initiatives contained in P.L. 110-140 and P.L. 110-186. The Increased Veteran Participation program contained in P.L. 110-186 provides a more suitable alternative for veteran-owned small businesses. In particular, this program's higher guarantees, larger loan sizes, and reduced fees provides veteran borrowers with greater benefits than the Patriot Express initiative. For this reason, the Committee recommends the termination of the Patriot Express initiative because alternative programs will better serve veteran entrepreneurs.[4]

Given increasing defaults and projected positive subsidy rates in the SBA Express subprogram, the Committee recommends that this program be immediately terminated and no funds be used to support increased guarantees or fee reduction subsidies in this subprogram.[5] The initiative has grown costly and does not satisfy any public policy goal, making it a poor use of scarce taxpayer funds. If the SBA Express remains operational in any manner going forward, the Committee insists on the development of a separate credit subsidy rate by SBA and the Office of Management and Budget (OMB) for SBA Express

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[3] The Committee estimates that the credit subsidy rate for the 7(a) program for fiscal year 2010 will be 4 percent. This is based on the composition of subsidy estimates, from the *Fiscal Year 2009 Federal Credit Supplement,* which accompanied *the Budget of the United States for Fiscal Year 2009, Office of Management of Budget.* 7(a) fees contributed a positive 3.42 percent to the credit subsidy rate and the Committee assumes that the program will lose this inflow due to changes in P.L. 111-05. The additional 0.58 percent (for a total estimated credit subsidy rate of 4 percent) is the Committee's estimate of the impact of rising defaults on the program.

[4] Committee recommendation #1 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

[5] Committee recommendation #2 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

and does not support any appropriations for the purpose of offsetting any positive subsidy costs that this subprogram may produce.

Rural Lender Advantage Initiative

In January of 2008, the SBA introduced a new initiative under the framework of the 7(a) loan program known as "Rural Lender Advantage." This initiative is part of a broader SBA initiative to promote the economic development of local communities, particularly those facing the challenges of population loss, economic dislocation, and high unemployment. The program underwent a phased rollout to each of the agency's ten regions through FY 2008. For FY 2009, and in keeping with the Agency's 7(a) loan volume restrictions, the program will likely be limited to less than 2,000 loans. The program will likely have similar, if not smaller, levels for FY 2010. The SBA should study whether there are more targeted, cost-effective means that can increase lender participation in the 7(a) program.[6]

504 Certified Development Company Program

The 504 program has been among the best managed and most successful aspects of the SBA's access to capital mission. It should be noted, however, that rising costs in the program stemming from the current economic climate pose significant risks to the program. This is particularly relevant given the program's heavy concentration on lending for real estate projects, which are likely to see continued losses before the economy recovers.

For fiscal year 2010, the Committee requests new funding of $131.25 million and a carryover of the $93.75 million made available in P.L. 111-5 for the purposes of fee reduction for 504 loans for fiscal year 2010. In total, this $225 million in funding would provide for a program level of $7.5 billion.[7] With the program's current pace of lending for FY 2009, this should be more than adequate to sustain increased lending activity that may result from economic recovery efforts such as those contained in P.L. 111-5, the American Recovery and Reinvestment Act of 2009. This funding request assumes that

[6] Committee recommendation #3 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

[7] The Committee estimates that the credit subsidy rate for the 504 program for fiscal year 2010 will be 3 percent. This is based on the composition of subsidy estimates, from the *Fiscal Year 2009 Federal Credit Supplement,* which accompanied *the Budget of the United States for Fiscal Year 2009, Office of Management of Budget.* 504 fees contributed a positive 2.20 percent to the credit subsidy rate and the Committee assumes that the program will lose this inflow due to changes made to the program's fee structure in P.L. 111-05. The additional 0.8 percent (for a total credit subsidy rate of 3 percent) is the Committee's estimate of the impact of rising defaults on the program due to its exposure to commercial real estate-based projects, as well as the impact of the agency's minimal efforts to recover losses on defaulted loans. The program has a very low recovery rate of 42.51 percent.

the fee reduction provisions pertaining to the 504 program in P.L. 111-5 will be fully implemented and maintained throughout FY 2010.

For FY 2010, the Committee expects the SBA to fully implement the energy saving debenture program enacted under PL 110-140, the Energy Independence and Security Act of 2007, which expand the 504 program to accommodate financing for projects that improve energy efficiency. While no appropriation is necessary for this purpose, the Committee supports making $250,000 available in administrative funds so the agency may immediately take action to implement this program.

The 504 program faces a near certainty of increased loan defaults and decreased net recoveries in FY 2010. Although this is not unexpected during an economic slowdown, the SBA should take additional steps to increase its liquidation and recovery efforts for loan defaults in the 504 program. Sufficient resources should be made available to provide 504 Loan Servicing Centers with sufficient staff to handle the increased defaults, as well as sufficient funds for the purposes of reimbursing Certified Development Companies (CDCs) for their costs in recovering defaulted 504 loans.[8] It is expected that these efforts will reduce the government's overall cost of operating this program.

7(m) Microloan Program

In FY 2010, the Committee recommends funding of $6 million to support $50 million in loan volume through this program.[9] Additionally, $25 million in funding should be provided for technical related assistance. These figures should be sufficient to support new entrepreneurs that traditionally seek out Microloan financing in an economic downturn, while providing for growth in the program that may result from an economic recovery.

Small Business Investment Company (SBIC) Program

The SBIC program was the only active SBA capital access program that saw growth in FY 2008. Additionally, for the first half of FY 2009, the SBA has issued six new SBIC debenture licenses. These factors, combined with the possibility of increased demand attributable to economic recovery, suggest the need for an increased program level authorization in FY 2010. Consequently, the SBIC program should be authorized at a program level of $4 billion which, due to its zero subsidy requirement, does not require any funding.[10] However, the Committee is concerned that this policy will increase the

[8] Committee recommendation #4 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.
[9] The Committee estimates that the credit subsidy rate for the 7(m) Microloan program for fiscal year 2010 will be 12 percent. This is based on the subsidy estimates from the *Fiscal Year 2009 Federal Credit Supplement,* which accompanied *the Budget of the United States for Fiscal Year 2009, Office of Management of Budget.* The Committee believes that the deteriorating economy will increase program defaults and result in an approximate 20 percent increase in the credit subsidy rate, raising it from 10.12 percent to 12 percent.
[10] 303(b) of the Small Business Investment Act (15 U.S.C. 683(b)).

costs for small businesses and may ultimately undermine the program's ability to serve start-ups and high-growth companies in need of equity capital.

This increased program level should be sufficient to accommodate program growth, which is likely as startup investment expands in the wake of a potential economic recovery and through stimulus efforts such as those contained in P.L. 111-5, the American Recovery and Reinvestment Act of 2009.

For FY 2010, the Committee expects the SBA to fully implement the energy saving debentures and increased leverage limits enacted under PL 110-140, the Energy Independence and Security Act of 2007, which expand the SBIC program financings for projects that improve energy efficiency. While no appropriation is necessary for this purpose, additional administrative funds should be made available in the amount of $500,000 so the agency may immediately take action to implement these initiatives.

New Markets Venture Capital Program

For this program to provide equity and near-equity capital in low- and moderate income areas, the Committee supports program funding of $5.1 million to guarantee $30 million in debentures under the program and provide $5 million in operational assistance grants.[11] This is particularly important for both rural and urban communities that relied heavily on manufacturing industries and are faced with seeking new ways to spur job creation and economic development.

Renewable Fuels Capital Investment Company Program

A Renewable Fuel Capital Investment (RFCI) program was created in December of 2007 under PL 110-140. This program authorized the creation of specialized Renewable Fuel Capital Investment Companies (RFCIC) to issue SBA guaranteed debentures to invest in small businesses engaged in researching, manufacturing, developing, and bringing to market renewable energy sources. This includes the development of biodiesel, ethanol, and related research concerning other biomass fuels such as cellulosic ethanol. It also includes investment in wind-, solar-, hydro-, and geothermal-related energy projects.

To date, the SBA has taken no action to implement the RFCI program. Under the existing statutory framework of the program, no appropriation is necessary to implement the RFCIC program. Nevertheless, $30 million should be provided for the purpose of reducing or eliminating fees associated with debentures issued under the program. Additionally, $15 million should be used to implement the operational assistance grants

[11] The Committee estimates that the credit subsidy rate for the New Markets Venture Capital program for fiscal year 2010 will be 17 percent, which is approximately equal to the subsidy rate reestimate for the last cohort year of debentures issued through this program. This is based on the loan subsidy reestimates from the *Fiscal Year 2009 Federal Credit Supplement,* which accompanied *the Budget of the United States for Fiscal Year 2009, Office of Management of Budget.*

to RFCICs. Venture investments create jobs and industries at home and will help the nation become a leader in these new technologies.

Disaster Loan Program

The Committee recommends that $101 million be provided for administrative expenses, including loan making activities and performing disaster simulations, catastrophe modeling, workforce and logistical improvements that were required under P.L. 110-234, the Food and Energy Security Act of 2007.

Unlike other disaster management agencies, the SBA does not build a contingency fund to respond in the event of major disasters such. Consequently, the agency remains overly dependent on ad hoc appropriations requests and is not prepared to respond to a major disaster. For this reason, the Committee recommends that the agency carry over remaining funds from fiscal year 2009 for this purpose.

The Committee recommends that $220 million be provided for the loan-making function. This would be sufficient to support approximately $1.1 billion in loan making, the normalized 10 year average.[12] The Committee also recommends that additional funds be appropriated for the disaster loan administrative function commensurate to support this level of loan making.

GOVERNMENT CONTRACTING PROGRAMS

8(a) Program

The Committee recommends a funding level of $40 million for the 8(a) program. This level of funding will support its participants and address critical management functions. The program requires more support in the field to oversee the operation of the program and to provide more surveillance and assistance to an increased number of participants. For FY 2010, the SBA should make an effort to provide special assistance to identify and secure 8(a) contracts for work under P.L. 111-5, the American Recovery and Reinvestment Act of 2009.

7(j) Program

The 7(j) program is vital to the operation of the 8(a) program particularly at a time when participation has increased dramatically. The Committee recommends that the funds for the program remain a separate line item in SBA's budget request and that a grant level of $5 million be provided for the program. This funding will help the program handle the

[12] The Committee estimates that the credit subsidy rate for the disaster loan program for fiscal year 2010 will be 20 percent. This is based on the subsidy estimates from the *Fiscal Year 2009 Federal Credit Supplement,* which accompanied *the Budget of the United States for Fiscal Year 2009, Office of Management of Budget.* The Committee believes that the deteriorating economy will increase program defaults and result in an approximate 33 percent increase in the credit subsidy rate, raising it from 14.92 percent to 20 percent.

influx of work as a result of the contracts made available through P.L. 111-5, the American Recovery and Reinvestment Act of 2009.

HUBZone Program

Last year, GAO found that the program was continually subject to fraud and mismanagement. The Committee remains concerned that the program places taxpayer funds at substantial risk for fraud, waste, and abuse. As a result, the Committee requests that $1.5 million in funding be provided to this program for the sole purpose of preparing the program for termination and providing small business participants with transitional assistance.[13]

Procurement Center Representatives (PCRs)

Due to P.L. 111-5, the American Recovery and Reinvestment Act of 2009, the PCR function is now more critical for small business contracting programs. The permanent number of PCRs should be authorized at 67 for fiscal year 2010. Sufficient travel funds should also be made available so that PCRs can monitor contracts that are regional or national in scope. For these purposes, the Committee recommends an appropriation of $8 million.

Commercial Marketing Representatives (CMRs)

The Committee recommends an appropriation of $5 million so that the SBA can employ a minimum of 40 CMRs. For fiscal year 2010, CMRs should review contracts contained in P.L. 111-5, the American Recovery and Reinvestment Act of 2009, for small business opportunities.

Office of Size Standards

The Office of Size Standards has failed to update size standards in an efficient and timely manner. As a result, the Committee recommends this office be given an appropriation of $5 million to improve its capacity to update size standards to reflect the realities of today's economic environment.

Office of Technology

The Committee supports an appropriation of $5 million for the Office of Technology. These funds are necessary to operate the Rural Outreach and the Federal and State Partnership programs, which are essential to creating entrepreneurial opportunities in rural states. In addition, SBA should permit venture capital-backed small businesses to be able to fully participate in the Small Business Innovation Research program. Such

[13] Committee recommendation #5 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

participation is essential for high-growth small firms seeking capital, particularly during this period of economic weakness.

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

The Committee recommends full funding at the statutorily-authorized levels for the agency's business development programs. Funding these programs at their capacity will establish critical levels of resources available for assisting entrepreneurs adjust to the current challenging business climate and remain key engines of economic growth.

Small Business Development Centers (SBDCs)

To improve the quality and quantity of services provided by the primary source of entrepreneurial development assistance at the SBA, the Committee requests full funding for the SBDC program under the authorized levels, at $135 million. This amount will increase the program's capacity to meet the rising and urgent demands for business development assistance from entrepreneurs throughout the country. In addition, the Committee requests $5 million for the SBDC initiative contained in P.L. 110-140, the Energy Independence and Security Act of 2007, and $5 million for the SBDC initiative contained P.L. 110-186, the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008. This will provided veteran entrepreneurs and small businesses seeking to become more energy efficient with the assistance and technical advice they need.

Through the allocation of adequate resource levels, the program can expand the community-based network that entrepreneurs use to access counseling and training. These public-private partnerships target assistance to entrepreneurs based on local regional and industry needs, which are critical services, particularly for the successful adjustment to economic downturns. Last year, SBDCs helped long term clients generate a total of approximately $7.2 billion in sales and create over 70,000 new full-time jobs. The overall economic stimulus effects from investment in this program have also been extensively demonstrated. Annually, these centers generate approximately $3 in tax revenues for every $1 spent on the entire program.

Women's Business Centers

To effectively target business development assistance to women entrepreneurs, one of the fastest growing small business sectors, the Committee recommends funding the Women's Business Center program at its statutorily-authorized level, $17.5 million. This amount will ensure that these entrepreneurs have access to the tools that promote their critical role in economic growth, job creation, and industry productivity.

By allocating full funding for the program, federal contributions to the centers administered through public-private partnerships will help to stabilize existing facilities, particularly as they have faced budget cuts during the past Administration. Centers will be able to utilize their resources to provide the resources to assist women entrepreneurs

adjust to the economic crisis, particularly by supporting home-based businesses, downsizing from corporate executive positions, and moving from welfare-to-work.

SCORE

To improve the effectiveness and quantity of services in proportion with their demand, the Committee recommends full funding of SBA's SCORE program according to its authorized levels at $7 million. This level would improve the capacity of the agency's business mentoring services, which are critical for entrepreneurs adjusting to challenging economic conditions.

Emerging Cities Initiative

The Committee supports the goals of this program and the use of resources to promote the success of businesses in underserved inner cities. However, the Committee believes that this program is duplicative of SBA's existing network of SBA's entrepreneurial development providers. As a result, the Committee requests that funding for this program be terminated.[14]

Office of Veterans Business Development

To meet the growing number of separating service members and reservists seeking new economic opportunities as they re-enter the increasingly challenging marketplace, the Committee recommends funding the SBA's Office of Veterans Business Development (OVBD) at its authorized level of $2 million. This would increase the level and customization of the agency's services to meet the needs of current veteran entrepreneurs.

Full funding of the agency's OVBD will ensure the implementation of its new statutory mandate contained in P.L. 110-186, the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008. This includes implementing new veteran-based initiatives, the expansion of veteran assistance outreach facilities in communities across the country, and customizing resources to meet the needs of women and disabled veterans.

In addition, the Committee requests $10 million in funding for a Veterans Business Center program that the Committee plans to authorize during the year. This program will modernize and streamline the federal government's core veterans' entrepreneurial development training initiative, and provide returning servicemen and women with the tools they need to start a business.

National Veterans Business Development Corporation

[14] Committee recommendation #6 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

This Corporation was created to provide training and entrepreneurial development services to veterans. Unfortunately, it has not reached its full potential and the American Legion and Veterans of Foreign Wars have called for its termination. The Committee concurs with this viewpoint and recommends that the funding for Corporation be terminated for fiscal year 2010.[15] Given concerns that the organization is insufficiently fulfilling its purpose to provide comprehensive assistance to separating members of the nation's military forces, the Committee is proposing improved alternatives – including the Veterans Business Center program discussed in the section above – to deliver these services.

The Committee's commitment to promoting veteran entrepreneurship remains strong. Therefore, it is critical that assistance programs to the sector are effective and that veterans have access to these resources so they can establish successful enterprises in all stages of the economy.

National Women's Business Council

Funding the Council may be duplicative of the research conducted by SBA's Office of Advocacy. However, at this time, the Committee recommends that this program be funded at $1 million. This year, the Committee will further assess this potential duplication and whether the Council still serves a purpose.

Drug Free Workplace Program

The Drug-Free Workplace program was originally created to assist small firms in the implementation of a plethora of substance abuse counseling and training activities.[16] This included creating workplace drug policies, drug prevention training and education seminars, providing for drug-testing, and counseling employees on substance abuse. Instead, the program has evolved into a subsidy solely for drug-testing centers, a private industry that does not warrant funding from the SBA, an agency whose mission is to promote and assist small businesses.

Given the financial challenges facing the government, the Committee does not believe it is prudent to use scarce taxpayer funds to purchase drug-testing services from and for viable private sector companies. Such funds would be used to support the same companies through tax relief, loan guarantees, or reducing their regulatory burden. As a result, the Committee recommends termination of program funding due to the lack of meaningful returns on the public investment.[17]

Office of Native American Affairs

[15] Committee recommendation #7 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.
[16] Section 27 of the Small Business Act (15 U.S.C. 654).
[17] Committee recommendation #8 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

Given the significant impacts of the declining economy in Native American communities and the concomitant rise in demand for business development services for these regions, the Committee recommends $6 million in funding for the SBA's Office of Native American Affairs (ONAA), which include funds for administration, outreach efforts, and grant awards for Tribal Business Information Centers. By increasing access to business development and the expansion of tools available through the agency's entrepreneurial development, lending, and procurement programs, adequate budget resources will help to spur growth in these communities. This level of funding will ensure an expansion of assistance to entrepreneurs in these regions in terms of access to customized services.

Office of International Trade

The Committee recommends funding the Office of International Trade at $3.4 million. This will also ensure that entrepreneurs have access to tools for successful integration into global markets and to help offset declines in domestic consumption. The agency must increase its assistance to small businesses engaged in international trade to ensure their global competitiveness as the domestic economy falters, particularly through export financing and technical assistance.

The utilization of resources for international trade assistance to small business must also become more transparent. Therefore, the Committee recommends that the agency re-establish a specific line item for the Office of International Trade rather than following the approach that folded the program into the operating budget. This will ensure that Congress can monitor the agency's contributions to promoting trade opportunities for small firms and, consequently, their efforts to create new economic opportunities for the country.

OFFICE OF ADVOCACY

The Committee recommends that the Office of Advocacy be budgeted at $2 million. This funding level is essential to allow Advocacy to fulfill its mission of being the voice of small businesses in the federal regulatory process. Small businesses face a greater burden from federal regulations than their larger counterparts. Because small firms bear a disproportionate share of regulatory costs, it is essential that agencies work to minimize unnecessary burdens.

Providing Advocacy with greater resources will allow the Office to better assist agencies in crafting rules that are least burdensome to small businesses. In addition, Advocacy produces economic studies on issues of key concern to entrepreneurs. These studies provide critical information to policy makers and small business stakeholders; however, many of them are out of date. Greater funding is needed to allow Advocacy to update these studies.

CONCLUSION

With the economy contracting at a dramatic 6.2 percent annualized rate in the fourth quarter of 2008, the U.S. is facing challenges not confronted for generations. The Federal Reserve recently stated that economic activity "diminished further" through February, reducing the outlook for a near-term recovery. During these challenging times, small businesses have often provided the economic stimulus to recover, through innovation and job creation in local communities.

In fact, early twentieth century economist Joseph Schumpeter, famous for his study of business cycles and entrepreneurial activity, referred to this phenomenon as "creative destruction," an on-going process in which new companies replace those that failed to evolve with the economy.[18] Schumpeter argued that entrepreneurs, through their innovative ideas, actually propel economies forward and permit them to maintain their standing or even to reach new heights. The federal government has long had an interest in spurring entrepreneurship during periods of economic decline, doing so through the programs administered by the SBA.

The Committee's request provides a foundation for small businesses to gain access to the capital, contracts, and training they require to endure and begin to recover during this recessionary period. With the assistance of these tools, small firms will grow financially stronger and begin to create new and sustainable jobs that will support a long-term recovery for our economy.

Thank you for your consideration of the Committee's views on the Small Business Administration's FY 2010 budget submission.

With respect,

Nydia Velázquez
Chairwoman

[18] The term "creative destruction" was popularized in Joseph Schumpeter's book *Capitalism, Socialism, and Democracy*, which was first published in 1942.

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

SAM GRAVES, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
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March 13, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
United States House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

I am writing to advise you of the minority's objections to the views and estimates on the President's Fiscal Year 2010 budget adopted by the Committee on Small Business at a full committee meeting on March 11, 2009. Given the information currently available in the budget, we are unable to ascertain whether the President's request for the Small Business Administration (SBA) will meet the needs of America's small businesses. To the extent that there are any legacy management problems at the agency, simply providing the agency with more money will not ameliorate the problem. Functions that can provide greater capital to small businesses and access to more federal government contracts should be enhanced; other functions should be redesigned to be made more efficient. Getting past the specifics of the SBA budget, we also are troubled by plans to significantly raise the size of the debt burden that small businesses ultimately will have to support through increased cost of capital and higher tax payments.

In February 2009, employers cut about 697,000 jobs which comes on top of 614,000 jobs cut in January – or a little more than 1.3 million jobs in just two months. Many of those cuts were made by large businesses and such jobs probably will not return.[1] That means America's entrepreneurial spirit will be relied on to pick up the slack. To lead this recovery, America's small businesses need capital, a regulatory structure that does not impose undue burdens on their ability to create jobs, increased access to federal contracting opportunities, and a health care system that does not bankrupt them when they try to purchase insurance for their employees.

[1] To the extent that the cuts came from large businesses that have declared bankruptcy or are liquidating, those enterprises will not be in existence to assist in an economic recovery.

Access to Capital

Since September of 2008, the greatest concern of our small business constituents is their inability to obtain capital. Without a functioning credit market, small businesses have no ability to invest or hire employees. Efforts so far to resuscitate the credit markets have been abysmal failures. Financial institutions that have received billions in federal assistance do not lend to small businesses; community financial institutions that are willing to lend do not have functioning secondary markets in which to sell loans so they can replenish their capital to make new loans.

The budget must provide for a means by which small businesses obtain needed access to capital. The SBA must focus its attention, as a guarantor of last resort, on ensuring that its lending markets are operating at peak efficiency. If necessary, resources within the agency should be reallocated to ensure that lenders can provide adequate capital. We recognize that additional personnel and resources may be needed to carry out that mission.

A much more troubling aspect of the budget is the significant increase in the federal debt. As the past few years have demonstrated, the capital markets are global in nature and all borrowers, whether it is the United States, General Electric, or Riemeier Lumber, compete for capital. There is little doubt in this global quest for capital, America's small businesses cannot compete against large firms like General Electric and certainly have no ability to match the borrowing power of the federal government. Yet, the voracious demand for funds in the stimulus bill, the various financial rescues and now the President's budget for the federal government will siphon off the global supply of capital that is available to small businesses. This represents the most insidious type of tax of all – increasing the interest costs faced by small business owners as they try to expand and create jobs. An increase in the federal deficit will have significant detrimental consequences on the ability of small businesses to raise capital.

Even if the federal government is able to obtain funds without increasing the interest rates that small businesses must pay to obtain capital (a highly improbable event), the level of the federal deficit cannot be sustained. Either revenue will have to be increased or government spending significantly reduced. Given the calls in the budget for a variety of new federal programs, revenue has to increase. Growth in the economy and in tax receipts would fill some of this gap. However, the greater portion of that will come from increasing taxes on small businesses. This deprives small businesses of needed funds at just the time when they should be using those funds to invest in their businesses not in paying down the debt of the federal government. Increasing taxes on small businesses seems highly counterintuitive if the object is to have those businesses lead America's economic recovery.

Regulatory Environment

Studies by the Office of Advocacy of the United States Small Business Administration reveal that small businesses are disproportionately burdened by federal regulatory regime. These enterprises have neither the financial or personnel wherewithal to follow the perambulations of the federal bureaucracy. This is especially true in these troubled economic times. Every dollar that is spent on trying to comply with an opaque federal regulatory structure means one less dollar that the small business has to invest in its operations to increase employment. Again that seems counterintuitive to what this economy needs at the moment.

Nothing in the President's budget suggests an understanding of this regulatory morass facing small businesses. For example, the new program to cap carbon emissions will adversely affect small enterprises. Entities relying on fossil fuels will pay more for energy; yet larger enterprises will have the resources to implement energy-saving technology that small businesses will have neither the time, expertise or financial resources to pursue. Even assuming that the capping of carbon emissions is a sensible goal, a regulatory structure that burdens small businesses greater than larger competitors will do nothing to help small businesses create the jobs needed to help the economy recover.

Contracting Opportunities

Federal purchases play a significant role in the economy with the government purchasing about $340 billion in goods and services in FY 2008. That will increase dramatically with the passage of the stimulus bill and the proposed FY 2010 budget. Increasing participation by small businesses in this sector is important to overall economic growth and insuring that the federal government obtains the best value for its tax dollars.

However, the labyrinthine process for obtaining federal government contracts eliminates opportunities for small business to obtain their fair share of this work. The federal government needs to simplify the contracting process while at the same time ensuring greater opportunity for small businesses, including America's service-disabled veterans for whom the government cannot even meet the 3.5 percent prime contracting goal. Furthermore, the SBA needs to have adequate resources to provide appropriate assistance to small businesses, especially additional procurement center (PCRs) and commercial marketing representatives (CMRs).

PCRs are highly trained contracting specialists who review government procurements to determine whether they can be modified[2] to increase the probability that small businesses will be successful in obtaining government contracts. More PCRs must be hired to ensure that government contracting strategies do not foreclose small businesses from seeking federal procurement opportunities. To the extent that existing SBA personnel

[2] Specifically, PCRs focus on whether government contract proposals are improperly bundled to prevent small businesses from successfully bidding on such contracts.

can perform this full-time function with retraining that would be appropriate; however, if that is not possible then the SBA should be provided the resources to hire such the necessary personnel. Given the fact that PCRs are located at major federal procurement centers, it makes sense to ensure that there should be a PCR in every state and at least one at every major federal procurement center. Even if this represents the need to hire additional personnel, it will be funds well spent.

Commercial marketing representatives (CMRs) provide assistance to small businesses by finding appropriate opportunities for small businesses to act as subcontractors to federal prime contractors. This position is important but requires less technical training than that of the PCR. Certainly an increase in the number is necessary; however, we are not convinced that this needs to come from the hiring of new employees. Reorganization of existing employees and dedicating them to more than one responsibility might provide the necessary number of employees without increasing federal expenditures.[3]

Affordable Health Care

Unlike most large businesses, the owners of America's small businesses generally are very familiar with the lives of their employees. An employee in a small business is a friend, neighbor, colleague, and may even be treated as part of the owner's family. When a worker is unhealthy in a small business, there is more to the loss than that employee's marginal value of production; distractions over concerns about the health of the employee may affect other employees and decrease general productivity. Small business owners want to provide their employees with adequate health care. On the other hand, it makes no sense to offer employees health care if it bankrupts the small business. Small business owners should not be faced with the Hobson's choice of either continuing their business or providing their employees with adequate health care.

The FY 2010 budget recognizes that health care remains a critical concern to Americans. However, nothing in that budget document specifically addresses the needs of America's small business owners for access to affordable health insurance for their employees. Nor is there any mention of any solution to the conundrum faced by small business owners on how they are to provide such coverage without undermining their financial stability. Without a sound policy for providing small business owners and their employees with adequate health care, the FY 2010 budget substantially misses its mark.

Conclusion

Expensive government does not necessarily translate into sound government. The Committee adopts that approach in its views and estimates letter. We fundamentally disagree, and believe that rational management and innovative thinking may enable the SBA to do more under the constraints of limited budgets. More importantly, we disagree with the approach of the budget because it will not provide small businesses with

[3] One possible alternative to reach this goal is to eliminate the position of deputy district director and require these individuals to become CMRs. The function of deputy district director then could be rotated among other personnel at the district office rather than simply having one individual provide that function.

increased access to capital, reduce their regulatory burdens, improve their access to government contracting opportunities or provide them with a means to obtain affordable health care for themselves and their employees. Despite rhetoric of the importance of small business, the FY 2010 budget does not recognize the centrality of small business to America's economic recovery. Instead, it seeks to impose greater burdens on their ability to expand their businesses and create the new jobs to replace those being lost by large businesses.

Sincerely,

Sam Graves
Ranking Republican Member

Roscoe G. Bartlett

W. Todd Akin

Steve King

Lynn A. Westmoreland

Louie Gohmert

Mary Fallin

Vern Buchanan

Blaine Luetkemeyer

Aaron Schock

Glenn Thompson

Mike Coffman

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

March 10, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

The Honorable Paul Ryan
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman and Mr. Ranking Member:

As required by section 301(d) of the Congressional Budget Act and clause 4(f) of Rule X of the Rules of the House, the Committee on Transportation and Infrastructure transmits its Views and Estimates for the fiscal year (FY) 2010 Budget Resolution. On March 5, 2009, the Committee on Transportation and Infrastructure met in open session and adopted the enclosed FY 2010 Budget Views and Estimates by voice vote with a quorum present.

Thank you for the opportunity to present these Views and Estimates. We look forward to working with you to meet our nation's transportation and infrastructure investment needs, as well as the other needs discussed in the enclosed report.

Sincerely,

Jim Oberstar

James L. Oberstar, M.C.
Chairman

John L. Mica, M.C.
Ranking Member

Enclosure

VIEWS AND ESTIMATES OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE FOR FISCAL YEAR 2010

Overview

The Committee's legislative priorities this year include authorization of surface transportation programs; reauthorization of the Federal Aviation Administration ("FAA"), selected provisions of the Clean Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the Coast Guard, and the Federal Emergency Management Agency; and consideration of a water resources development act.

The funding levels required for some of these legislative priorities are already well-defined. Others, however, are in an earlier stage of development, most notably the funding levels required for the surface transportation authorization bill. In addition, with the transition to a new administration, the schedule for transmittal of a detailed budget submission is delayed, contributing to uncertainty regarding the funding levels needed in fiscal year ("FY") 2010.

Given the higher-than-usual level of uncertainty, the Committee submits the following estimates, but reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

Transportation Investment Leads to Economic Growth

Increased investment in transportation infrastructure has far-reaching effects on our nation's economy, our competitiveness in the world marketplace, and the quality of life in our communities. Each day, every American and every business will benefit from such investment by experiencing shortened travel times, increased productivity, and improved safety.

Throughout our nation's history, economic growth, prosperity, and opportunity have followed investments in the nation's infrastructure. From the "internal improvements" of the early 1800s – canals, locks, and roads – to the Interstate Highway System of today, infrastructure investment has been our foundation for economic growth. For example, between 1980 and 1991, almost one-fifth of the increase in productivity in the U.S. economy was attributable to investment in highways.[1]

Our nation's highways, transit and rail systems, pipelines, airlines, airports, harbors, and waterways not only provide the backbone of our economy by moving people and goods, they also employ millions of workers and generate a significant share of total economic output. In 2007, transportation-related goods and services contributed $1.45 trillion, or 10.5

[1] "Transportation and the Economy: National and State Perspectives," American Association of State Highway and Transportation Officials, May 1998.

percent, to the total U.S. Gross Domestic Product of $13.81 trillion. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, higher Federal investment in transportation infrastructure will mean:

- Shorter commutes that save time, fuel, and reduce pollution.
- Better access to work, school, health care, and recreation.
- Lives saved – many of the more than 41,000 highway fatalities each year could be prevented by building better roads and improving the safety features of existing roads.
- Safer systems to accommodate the transportation of hazardous materials, estimated at 1.2 million daily movements and 3 billion tons of regulated hazardous materials transported each year.
- Safer technologies to prevent passenger and freight train collisions, such as last year's tragic accident in Chatsworth, California.
- Fewer delays for the more than 700 million passengers who travel by air each year.
- Facilities to accommodate the increased number of air passengers projected to travel in the future.

Despite the importance of transportation to both our economy and the quality of life in our communities, many of our nation's transportation infrastructure needs are going unmet. This has resulted in, among other things, an alarming increase in congestion.

Congestion Crisis

Congestion is a major national problem. In February 2004, a highway organization study found that the number of severe highway bottlenecks had increased by 40 percent in the past five years. In 1999, 167 major highway bottlenecks located in 30 States and the District of Columbia were identified. Using the same methodology, the number of bottlenecks grew to a total of 233 in 2004, located in 33 States and the District of Columbia.

According to the Texas Transportation Institute's 2007 Urban Mobility Study, traffic congestion in the Nation's 437 urban areas continues to increase. Congestion now occurs during longer portions of the day and delays more travelers and goods than ever before. The severity of congestion has also increased. In 1982, extreme or severe congestion occurred during just 11 percent of peak period travel. In 2005, extreme or severe congestion occurred during 31 percent of peak period travel.

The extra time needed for rush hour travel has nearly tripled since 1982. The average Travel Time Index for the nation's urban areas in 2005 was 1.26 (meaning a trip during rush hour took 26 percent longer than the same trip during free-flowing travel conditions). The average in 1982 was only 1.09. Thirty-five urban areas now have a Travel Time Index above 1.20, compared with only one such area in 1982.

As congestion increases, so does the cost it imposes both on our economy and on motorists. In 2005, traffic congestion cost urban motorists $78.2 billion in terms of wasted time and fuel, compared to $73.1 billion in 2004, and just $14.9 billion in 1982.[2] This cost equates to an average annual cost per traveler of about $710 in 2005, up from $680 in 2004, and $260 in 1982. The hours of delay and gallons of fuel consumed due to congestion are only the elements that are easiest to estimate. The effect of uncertain or longer delivery times, missed meetings, business relocations and other congestion impacts are not included in this estimate.

The uncertain and longer delivery times caused by congestion are a serious problem for freight transportation. The vast majority of freight is transported via truck. Over the last two and a half decades, the volume of freight has grown dramatically. Highway system improvements have not kept pace with this growth. For example, between 1980 and 2007, truck vehicle-miles traveled more than doubled, while roadway lane-miles increased by only 6.8 percent.

According to the Federal Highway Administration ("FHWA"), the demand for freight transportation will continue to increase in the future. Over 19 billion tons of freight worth more than $13 trillion was transported in 2002. Roughly two-thirds of this freight was transported by truck. By 2035, freight volumes are expected to almost double and the value of shipments is expected to grow to nearly $42 trillion. Assuming no changes in highway capacity, the FHWA estimates that increases in truck and passenger vehicle traffic will expand recurring, peak-period congestion to 40 percent of the National Highway System ("NHS") in 2035, compared with 11 percent in 2002. This will slow traffic on nearly 20,000 miles of the NHS and create stop-and-go conditions on an additional 45,000 miles.

Congestion negatively impacts our environment, as well, by increasing emissions and wasting fuel. Vehicles in stop-and-go traffic emit more pollutants – particularly carbon monoxide and volatile organic compounds – than they do when operating without frequent braking and acceleration. In 2005, traffic congestion in the nation's urban areas wasted an estimated 2.9 billion gallons of fuel.

Perhaps most importantly, reducing highway congestion would save lives. If modest improvements were made to improve the traffic flow at the 233 severe bottlenecks identified in the highway organization study discussed above, the number and severity of vehicle crashes would be lessened. Over the 20-year life of the projects, such improvements would prevent more than 449,500 crashes, including some 1,750 fatalities and 220,500 injuries.

Although the slowing economy and the terrorist attacks of September 11, 2001, temporarily reduced aviation congestion beginning in 2001, the number of air travelers subsequently rebounded and reached a new record-high in 2007. With the rebound in airline travel, the number of delayed flights increased. In 2007, travelers experienced the highest number of delayed flights -- 1.8 million -- in the 13 years since the Department of Transportation ("DOT") has collected such data. The economic recession that began in

[2] In constant 2005 dollars.

December 2007 subsequently weakened demand for air travel once again, and the number of delayed flights declined to 1.5 million in 2008.

Although the demand for air travel fluctuates over the business cycle, it is generally forecast to increase over time, with continued population and economic growth. Absent aviation system capacity improvements, delays will continue to increase in the future. These delays at large hub airports have persisted even with the drop in overall system congestion. These delays ripple throughout the National Airspace System, causing system-wide impacts.

According to the Commission on the Future of the U.S. Aerospace Industry, estimates of the cost of aviation delays to the U.S. economy range from $9 billion in 2000 to more than $30 billion annually by 2015. Without improvement, the combined economic cost of delays from 2000-2012 will total an estimated $170 billion.

Infrastructure Investment Needs

To alleviate congestion and reap the economic benefits of an efficient transportation system, our transportation infrastructure needs must be met. These needs, which are discussed in more detail later in this document, are significant:

- $78.8 billion a year just to maintain highways and bridges at their current conditions, or $131.7 billion a year to improve conditions.
- $15.8 billion a year just to maintain transit systems at the current condition and performance, or $21.8 billion a year to improve conditions and performance.
- $18.9 billion a year in airport capital needs.
- Over $3 billion per year to meet the capital needs of the Federal Aviation Administration, including modernization of the air traffic control system.
- Between $9-10 billion over the next five years to bring the Northeast Corridor to a state-of-good-repair and for other improvements to the national rail passenger transportation system.
- $162 billion over the next 20 years to re-establish the national intercity passenger rail and high-speed rail network.
- $39 billion over the next 26 years to expand capacity on our nation's Class I freight railroads.
- $13 billion over the next 26 years to upgrade shortline and regional railroads to accommodate heavier rail cars and meet demand.
- $35 billion over the next ten years to fund cumulative capital improvement needs at the nation's largest public ports.
- $7.5 billion to finish currently authorized inland waterway construction needs.

The nation's commercial shipping ports, which handle 95 percent of our international trade, face severe access problems on both the waterside and landside. With more than two billion tons of cargo valued at more than $2 trillion moving through our ports and waterways annually, we must ensure adequate infrastructure to meet the growing demands of international trade. Investments of at least $3.5 billion per year are needed by

federal and nonfederal sources to improve ports and keep pace with the growth of commerce.

The nation's inland waterways contain a series of outdated and antiquated locks and dams that, unless rehabilitated or improved, will continue to hinder the movement of coal, grain, and other bulk products. Close to 55 percent of the lock chambers on the system have exceeded their 50-year design lives. With the use of the aging inland waterway system expected to increase, including through expanded use of short-sea shipping, delays are likely to continue to rise.

Currently authorized construction needs for the inland waterway system are valued at $7.5 billion, but we are currently investing at a pace that will see us falling further behind these needs. Additional investment of hundreds of millions of dollars will be needed each year for modernization and replacement of the nation's locks and dams to meet the demands on the inland waterway system.

Our wastewater infrastructure also is facing substantial funding needs in order to meet and maintain clean water restoration goals. Communities throughout the United States continue to struggle financially to meet their ever-increasing wastewater treatment infrastructure needs. The Environmental Protection Agency ("EPA") has reported that a failure to increase investment in wastewater treatment infrastructure would erode many of the water quality achievements of the past 30 years.

The nation's failure to adequately restore and maintain the integrity of its waters can have devastating effects on the economy. Cities and towns, commercial fishing and shellfish harvesting, tourism, recreation, and many sectors of industry rely on the availability of clean, safe water supplies.

Estimates of the nation's clean water infrastructure needs over the next 20 years exceed $400 billion. The needs are especially urgent for areas trying to remedy the problem of combined sewer overflows and sanitary sewer overflows and for small communities lacking sufficient independent financing ability. Drinking water infrastructure needs are estimated at nearly $500 billion over the next 20 years. Current spending by all levels of government is one-half of the estimated needs. Increased investment by Federal, state, and local governments, as well as by the private sector, will be needed to close the gap between current spending and projected needs.

The Federal Government is continuing to under-invest in its wide variety of buildings and facilities that house federal employees, the judiciary, and cultural institutions. The General Services Administration ("GSA")-controlled inventory of existing Federal buildings is aging and requires extensive repair and renovation to ensure that Federal employees are housed in safe, modern facilities. These GSA-controlled facilities have a functional replacement value of $41 billion, and an estimated backlog exceeding $7 billion to repair and modernize existing Federal buildings. Similarly, the Smithsonian Institution estimates its repair and alteration backlog to be in excess of $2.5 billion. Funding provided by the recently-enacted American Recovery and Reinvestment Act of 2009 ("Recovery Act") (P.L. 111-5) will partially address these backlogs. Specifically, the Recovery Act provided GSA with $5.55 billion in funds for repair, alteration, and construction of Federal buildings,

courthouses, and border stations, with a focus on energy efficiency and conservation. The Recovery Act also provided an additional $25 million for repair and alteration of the Smithsonian's facilities. However, even with this additional funding, many buildings are having basic repair needs delayed or derailed. Delaying these necessary repairs threatens the missions of the agencies that occupy this space.

Transportation Trust Funds

To help meet some of the infrastructure investment needs discussed above, Congress established a series of trust funds to collect user fees and invest those funds in capital improvements and maintenance. These funds include the Highway Trust Fund, the Airport and Airway Trust Fund ("Aviation Trust Fund"), the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. Each of these trust funds invests dedicated user fee revenues in infrastructure programs to finance long-range construction and maintenance activities that benefit from the funding certainty provided by the trust funds.

Recently, increased fuel prices and the economic recession have resulted in lower than anticipated trust fund revenues. Despite the recent downturn, the trust funds still remain an important source of funding for our infrastructure investments.

One of this Committee's highest priorities is to ensure that the user fees deposited into these trust funds are in fact used for their intended purposes – to rebuild our nation's infrastructure. These trust funds represent a contract between the government and the user. This contract specified that certain user fees would be levied on the users of highways, airports, inland waterways, and ports. In return, the government pledged to use the receipts to build transportation infrastructure for the taxpayer's use.

While recent surface and aviation reauthorization acts have upheld the contract for the Highway and Aviation Trust Funds, the two remaining funds face unique challenges for addressing both the Inland Waterways and Harbor Maintenance needs of the nation. The Inland Waterways Trust Fund balance as of the end of FY 2008 was $27 million, at the same time that authorized Inland Waterways construction needs are estimated at $7.5 billion. The Harbor Maintenance Trust Fund balance as of the end of FY 2008 was $4.652 billion, at the same time that currently authorized harbor maintenance needs are not being met.

Similar to the reforms achieved for the Highway and Aviation Trust Funds, the full receipts and balances of the Inland Waterways and Harbor Maintenance Trust Funds should be made available to serve their intended purpose – meeting our infrastructure needs.

Extension of Spending Caps and Budget Process Reforms

Given the Transportation and Infrastructure Committee's commitment to achieving budget reforms for the transportation trust funds, other budget process legislation, including any extension of the discretionary spending caps, is of significant interest to this Committee.

The Transportation and Infrastructure Committee would strongly oppose any effort to reinstate the discretionary spending caps in a manner that fails to recognize the unique

nature of Trust-Funded programs, or negatively impacts the traditional funding guarantees that have been established for highway, transit, and aviation programs.

Similarly, the Committee strongly opposes the proposal in the President's Budget released on February 26, 2009, to treat obligation limitations as discretionary budget authority. Such a rule would essentially convert the mandatory contract authority that currently funds our highway, transit, and airport grant programs to a simple authorization of appropriations for budget scoring purposes. While proponents of such a rule change have argued that it would increase Trust Fund transparency, it would in fact do the opposite by further merging Trust-Funded programs with non-Trust-Funded programs in the budget process. If any budget process reforms are to be made, they should serve to increase the separation of Trust-Funded programs from non-Trust-Funded programs.

Waste, Fraud, Abuse, and Improving Governmental Performance

Pursuant to section 321 of the FY 2009 congressional budget resolution, S. Con. Res. 70, the Committee submits the following recommendations regarding waste, fraud, and abuse, and improving governmental performance.

Implementation of American Recovery and Reinvestment Act of 2009

The Recovery Act provides $64.1 billion for programs within the jurisdiction of the Committee on Transportation and Infrastructure. In addition, the Recovery Act includes specific, "use-it-or-lose-it" deadlines by which States and other recipients must invest the funds provided under the Act.

The Committee will closely oversee the implementation of transportation and infrastructure provisions of the Recovery Act to ensure that the funds are invested quickly, efficiently, and in harmony with the job-creating purposes of the Act. To this end, the Committee has written to the Governors, Metropolitan Planning Organizations, and transit agencies who are direct recipients of funds under the Recovery Act to request expedited and additional reporting on the use of Recovery Act funds, by April 4, 2009.

Specifically, the Committee has requested that direct recipients of Recovery Act funds provide the following information:

- The amount of Federal funds allocated or apportioned to the recipient by the relevant Federal agency and the amount of Federal funds obligated and outlayed;
- A detailed list of all projects or activities for which Recovery Act funds were obligated and the purpose, total cost, and rationale for funding the infrastructure investment;
- The number of projects that have been put out to bid under the appropriation and the amount of Federal funds associated with such projects;
- The number of projects for which contracts have been awarded and the amount of Federal funds associated with such projects;
- The number of projects for which work has been completed under such contracts and the amount of Federal funds associated with such contracts;
- The number of direct, on-project jobs created or sustained by the Federal funds provided under the appropriation and, to the extent possible, the estimated indirect jobs created or sustained in the associated supplying industries, including the number of job-years created and the total increase in employment since the date of enactment; and
- Information tracking the actual aggregate expenditures by each grant recipient from State sources for projects eligible for funding under the program during the period from the date of enactment through September 30, 2010, compared to the level of expenditures that were planned to occur during such period as of the date of enactment.

The Committee's request goes beyond the transparency and accountability requirements of the Recovery Act, expanding the scope of programs covered by the reporting requirements, and accelerating the deadline by which information shall be reported. In April 2009, the Committee will hold the first of a series of oversight hearings on implementation of the Recovery Act.

Leasing of Federal Office Space

In almost all circumstances, the use of long-term leases to satisfy the need for Federal office space is a wasteful use of appropriated funds, because such leases are almost always more expensive than federal construction. The current guidelines for the budgetary treatment of leases, which have been in place since 1991, require the full cost of a capital lease or lease-purchase to be scored up-front, rather than on an annual basis. This scoring rule has had the unintended and undesirable effect of forcing GSA into using long-term operating leases, which contain no ownership option, to meet Federal office space requirements. Under the current scoring rule and budget constraints, more cost-effective options, such as lease-purchase, cannot be considered; rather, GSA is left with just two options for meeting the Federal Government's office space needs – either direct appropriations or long-term leases. Due to budget constraints, direct appropriations are often not a viable option, resulting in the inefficient use of long-term leases.

The Government Accountability Office's ("GAO") work over the years has shown that building ownership often costs less than operating leases, especially for long-term space needs. For example, in 1995 GAO reported in GAO/T-GGD-95-149 that 55 of 73 operating leases that the GSA had entered into cost a total of $700 million more than construction. In 1999, GAO reported in GAO/GGD-99-49R that, for eight of nine major operating lease acquisitions, GSA had proposed, construction would have cost less than leasing and saved the Federal Government $126 million over 30 years. In 2005, GAO testified that for the Patent and Trademark Office's long-term requirements in northern Virginia, the cost of an operating lease was estimated to be $48 million more than construction and $38 million more than lease-purchase of the necessary office space. Similarly, GAO estimated that the U.S. Department of Transportation building in Washington, D.C., would have cost $190 million less to construct than to enter into an operating lease. In 2008, GAO reported in GAO-08-197 that for four of seven GSA building leases GAO examined, leasing was more costly over the long-term than construction – by an estimated $83.3 million over 30 years.

According to GAO, the current practice of relying on costly leasing to meet long-term space needs results in excessive costs to taxpayers and does not reflect a sensible or economically rational approach to capital asset management. If GSA's budget cannot be increased such that it can accommodate the up-front scoring rule while still meeting the space needs of the federal government, then the Committee recommends that GSA be authorized to acquire federal space through lease-to-ownership leases, without up-front scoring, if such a lease-purchase is more cost-effective than an operating lease.

FEMA – Disaster Relief

The Committee recognizes the inherent tension between providing disaster relief in an expeditious manner while at the same time minimizing waste, fraud and abuse. Nevertheless, the Committee expects the Federal Emergency Management Agency ("FEMA") to fulfill its obligation to be a good steward of the public's funds and trust. The Committee recognized the importance of this issue when it passed the Post Katrina Emergency Management Reform Act of 2006, which includes Subtitle F, "Prevention of Waste Fraud and Abuse" (6 U.S.C. 791 -797). In 2007, the Committee continued to provide oversight to prevent waste, fraud and abuse by holding the following oversight hearings to examine whether FEMA was carrying out these duties: "Post-Katrina Temporary Housing: Dilemmas and Solutions" (March 2007); and "FEMA's Emergency Food Supply System" (April 2007). The Committee will continue its vigorous oversight of FEMA's disaster relief program.

Coast Guard Deepwater Contract

The Committee held three hearings in the 110th Congress – in January, April, and June 2007 – to examine the Coast Guard's 25-year, $24-billion "Deepwater" contract, through which the service will replace or rehabilitate aircraft and cutters that operate primarily 50 miles offshore. The Committee also received additional testimony from the Coast Guard – as well as the Inspector General of the Department of Homeland Security ("DHS IG") and the GAO on the Deepwater Acquisition Program – on the Deepwater program during a hearing held to examine the Coast Guard's fiscal year 2008 budget request.

During these hearings, the Committee examined the failure of the effort undertaken in the early years of Deepwater to lengthen 110-foot legacy cutters to 123 feet as well as the installation of faulty topside equipment on these vessels. The Committee also examined whether the vessels' topside and communications equipment complied with federal standards for preventing emanations that could compromise classified information.

Last year, the House passed H.R. 6999, the "Integrated Deepwater Program Reform Act of 2008", which would strengthen the Coast Guard's management of acquisition functions. Specifically, H.R. 6999 would require the appointment of a chief acquisitions officer with extensive professional experience in acquisitions management be named to head its acquisitions department. H.R. 6999 would also impose stringent new requirements for the use of third-party certification to ensure that assets procured under Deepwater meet the highest technical and quality standards. Further, the bill requires the Coast Guard to phase out the use of a private sector lead systems integrator and assume responsibility for that function. H.R. 6999 was not passed by the Senate and will be reconsidered in the 111th Congress.

Conclusion

The detailed views and estimates presented below urge that the Congressional Budget Resolution meet the important needs discussed above, to improve our nation's infrastructure and transportation safety and ensure that vital services, such as those provided by the Coast Guard, are maintained. While the cost of meeting our nation's transportation and infrastructure investment needs may seem high, the cost of not meeting them is greater still.

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on March 5, 2009. While the report reflects a bipartisan effort, the Committee wishes to emphasize that not all Members of the Committee necessarily agree with every aspect. Accordingly, as noted above, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

Aviation

Since airline deregulation in 1978, air travel has become an essential form of transportation for much of the nation. The number of commercial air travelers has grown dramatically since then, from 312 million travelers in 1980 to a record-high of 765 million in 2007.

This unprecedented number of air travelers pushed our nation's air traffic control system and over-crowded airports to the brink of gridlock. In 2007, travelers experienced

the highest percentage of late arrivals – 24.2 percent – in the 13 years since DOT has collected such data.

While increased fuel costs and a slowing economy caused enplanements to decline in 2008, flight delays persisted. According to DOT, although the number of delayed flights declined, the average flight delay increased despite a six percent decline in the total number of flights. Delays at large hub airports have persisted even with the drop in overall system congestion. These delays ripple throughout the National Airspace System, causing system-wide impacts. Absent further improvements in aviation system capacity and efficiency, delays will likely increase significantly as the number of air travelers rebounds and continues to grow in the future.

Aviation User Fees

The February 29, 2009 President's Budget proposes to convert a large portion of the aviation excise taxes to aviation user fees beginning in FY 2011. Aviation user fees have been proposed several times in the past by various administrations, and have been rejected each time by Congress. While the President's Budget provides very little information on this proposal, the information that is available raises concerns. The Committee believes the current system of aviation excise taxes has proven to be a stable and efficient source of funding for our aviation system. The Committee does not recommend that the FY 2010 congressional budget resolution assume the adoption of aviation user fees.

FAA Facilities & Equipment

Increased capital investment in our air traffic control system is necessary to increase system capacity and avoid gridlock. These investments have traditionally been funded by the FAA's Facilities & Equipment ("F&E") account.

While the FAA is embarking upon on a major new Next Generation Air Transportation System ("NextGen") program to increase system capacity, in recent years it has requested F&E funding well below both congressionally authorized levels and its own preliminary cost estimates for NextGen.

In 2007, the interagency Joint Planning and Development Office ("JPDO") issued both an Enterprise Architecture and a Concept of Operations for NextGen. These documents provide a high-level blueprint for how to technologically transform the National Airspace System and triple capacity by the year 2025. In January 2009, the FAA issued a mid-term architecture, focusing on objectives through the year 2018.

Despite the completion of these documents, the cost of transitioning to the NextGen remains uncertain. However, preliminary cost estimates presented by the FAA's Air Traffic Organization ("ATO") at industry workshops in 2006 indicate that, from FY 2008 through FY 2025, a total of $15.2 billion in additional F&E investment will be needed.[3] This amount is in addition to the $50 billion that would be needed just to sustain the existing

[3] The 2006 ATO industry workshop presentation is the most recent FAA cost estimate for transitioning to NextGen that could be found by the Committee.

air traffic control system during these same years. As shown in the table below, based on these preliminary cost estimates, the total F&E funding requirement in the near-term is more than $3 billion each year, increasing to more than $3.5 billion by FY 2013. Based on these preliminary cost estimates, the total F&E funding requirement in FY 2010 is $3.259 billion.

F&E Preliminary Cost Estimates (Including NextGen)

Fiscal Year 2008	$3.120 billion
Fiscal Year 2009	$3.246 billion
Fiscal Year 2010	$3.259 billion
Fiscal Year 2011	$3.301 billion
Fiscal Year 2012	$3.411 billion
Fiscal Year 2013	$3.541 billion

A lack of sufficient funding for the F&E program would likely result in continued deferred maintenance and repair of the FAA's existing infrastructure. The FAA's air traffic control facilities (air traffic control towers, terminal radar approach control facilities, and en route centers) are aging and deteriorating. According to the DOT Office of Inspector General ("DOT IG"), many of FAA's air traffic control facilities have exceeded their useful lives, and their physical condition continues to deteriorate. While the average air traffic control facility has an expected useful life of approximately 25-30 years, 59 percent of FAA facilities (249 of 420) are over 30 years old.[4]

The FAA reports that terminal radar control ("TRACON") towers and en-route air traffic control facilities are overall in "fair to poor" condition using General Services Administration Facility Condition Index ("FCI") criteria. The DOT IG reports that nine of the 21 en-route centers have FCI values below 90 percent, which is indicative of a facility that requires attention, and no en-route center facility scored above 95 percent, which indicates a facility in "good" condition. This means that nearly half (9 of 21) of the en route centers are in poor condition and in need of attention.[5] The poor condition of FAA infrastructure is not limited to air traffic control facilities. In 2007, the FAA's headquarters building in Washington, D.C., received an FCI value of 79 percent; the lower the FCI value, the worse the condition of the facility. This facility is also in need of attention.

Overall, the DOT IG reported a deferred maintenance backlog for the FAA's facilities of $240 million, and estimated that, if current funding levels continue, this backlog would increase to over $380 million by FY 2020.[6] Although the FAA states that some of these facilities may be consolidated as a result of NextGen, the FAA needs to properly invest in the maintenance and upkeep of existing infrastructure in the interim.

To ensure that our nation's air traffic control system remains safe, reliable, and efficient, and is ready to accommodate the significantly increased number of passengers anticipated in the near future, the Committee recommends that the F&E program be funded at no less than $3.259 billion in FY 2010, consistent with both the FAA's preliminary

[4] DOT OIG Report Number AV-2009-012, "FAA's Management and Maintenance of Air Traffic Control Facilities", December 15, 2008.
[5] *Ibid.*
[6] *Ibid.*

NextGen cost estimates, and the authorized funding level approved by the House during the 110th Congress in H.R. 2881, the FAA Reauthorization Act of 2007. According to GAO, F&E funding levels consistent with the FAA's preliminary estimates discussed above could be applied to a variety of projects and initiatives that would help to accelerate the development and deployment of NextGen.

Airport Improvement Program ("AIP")

Increased investment in our airport infrastructure is also necessary to maintain a safe and efficient aviation system. The FAA estimates that $49.7 billion of AIP-eligible infrastructure development will be needed between 2009 and 2013 based on the latest National Plan of Integrated Airport Systems ("NPIAS") report dated September 30, 2008.

An airport trade association's Capital Needs Survey, conducted in December 2008 - January 2009, estimates that airport capital development costs for AIP-eligible and other necessary projects will total approximately $94.4 billion during the same time frame (2009-2013), an average annual cost of $18.9 billion.

To allow the AIP program to keep pace with inflationary cost increases, and begin to address the investment gap in airport safety and capacity needs, the Committee recommends that AIP be funded at least at $3.9 billion in FY 2009, $4.0 billion in FY 2010, $4.1 billion in FY 2011, and $4.2 billion in FY 2012.

FAA Operations and Maintenance

For FAA's operating costs, the Committee recommends providing at least $9.6 billion for FY 2010, consistent with the authorized funding level in H.R. 915, the "FAA Reauthorization Act of 2009". This funding level will allow the FAA to maintain current operations, as well as hire additional aviation safety inspectors and carry out additional airspace redesign initiatives.

Small Community Air Service Development

Inadequate service to small communities has been a concern since airline deregulation. Although the benefits of airline deregulation have been significant, they have not been evenly distributed. In certain small- and medium-sized communities, the lack of competition among airlines has resulted in significantly higher fares. Other small communities lack air service altogether. The Small Community Air Service Development program addresses these problems by helping underserved communities improve their air service through the use of strategies such as marketing support and revenue guarantees. Demand for this program has far exceeded the funding available. When this program received its initial funding of $20 million in FY 2002, DOT received 179 applications totaling more than $142.5 million from communities in 47 states. The program continued to receive $20 million in each of FYs 2003 through 2005, and $10 million in each of FYs 2006 through 2008. The Committee recommends that this program be funded from the General Fund in FY 2010 at the $35 million level authorized in H.R. 915, the "FAA Reauthorization Act of 2009".

Essential Air Service

The financial condition of the airlines, higher fuel costs, and increased regulatory costs have also increased demands on the Essential Air Service ("EAS") program over the past several years. Before September 11, 2001, a total of 106 communities required EAS subsidy (32 in Alaska and 74 elsewhere in the U.S.). As of February 2009, there are 150 communities requiring EAS subsidy (45 in Alaska and 105 elsewhere), a 42 percent increase compared to 2000. The cost of funding the current array of contracts in FY 2009 is approximately $150 million, and this does not assume any new communities require subsidy. To meet increased costs of renewing existing contracts, as well as the cost of providing service to communities that may begin to require subsidy, the Committee recommends EAS be funded in FY 2010 at the $200 million level authorized in H.R. 915, the "FAA Reauthorization Act of 2009".

Coast Guard and Maritime Transportation

The Committee recommends $9.4 billion in FY 2010 for U.S. Coast Guard activities, which is an increase of approximately $285.6 million (or 3.1 percent) over the total amount enacted for FY 2009 (excluding Recovery Act funding). This recommendation is designed to sustain the Coast Guard's ability to support America's maritime safety, security, and stewardship, interests for FY 2010. A detailed break-out of this recommended funding level by program is provided below.

The Committee believes it is imperative that the Coast Guard receive the resources necessary to protect America while maintaining the Service's core missions such as search and rescue, marine safety, fisheries law enforcement, drug interdiction, migrant interdiction, aids to navigation, marine environmental protection, and boating safety. Therefore, the Committee makes the following recommendations.

Coast Guard Operating Expenses

The Committee recommended funding level for Coast Guard Operating Expenses ("OE") in FY 2010 is approximately $6.4 billion, an increase of more than $185 million, or 3.0 percent, over the FY 2009 enacted level. The Operating Expenses account comprises over two-thirds of the Coast Guard's budget and provides for the safety of the public and the Coast Guard's workforce. This funding level will fund 47,368 positions (both military and civilian) in the Coast Guard.

The Committee's OE recommendation funds pay increases for officers and enlisted members and civilian employees of the Coast Guard.

Reserve Training

The Committee recommends approximately $134.4 million for training of Coast Guard Reserve personnel in FY 2010, a 3.0 percent increase over the FY 2009 appropriated level of $130.5 million.

Environmental Compliance and Restoration

The Committee recommends approximately $13.0 million for environmental compliance and restoration in FY 2010, the same amount that was appropriated for FY 2009. This funding will provide the resources necessary to meet the mandated milestones of major cleanup efforts and other environmental restoration needs.

Coast Guard Capital Funding (Acquisition, Construction & Improvement)

The Committee recommends $1.538 billion to fund all Coast Guard capital acquisitions in FY 2010, an increase of $44 million (3 percent) from the FY 2009 appropriated level of $1.494 billion. These funds support the acquisition, construction, and improvement of vessels, aircraft, information management resources, shore facilities, and aids to navigation. Of the $1.538 billion recommended level, $1.064 billion is for the Integrated Deepwater Systems ("Deepwater") program, the Coast Guard's integrated capital asset replacement program. This represents a $31 million increase from the FY 2009 funding level for Deepwater.

The Deepwater program will result in a nearly complete recapitalization of all Coast Guard aircraft, vessels and support systems over a 20-25 year period. Fundamental changes in the mission and requirements of the Coast Guard have occurred since the terrorist attacks of 2001. These changes have required substantive revisions in the timing, budget, system components and acquisition strategy for Deepwater.

The AC&I budget recommendation also includes funding for continued deployment of a nation-wide automatic identification system for ships, a transponder based collision avoidance system that will also allow the Coast Guard to track vessels for security purposes, and funding to build additional response boat mediums, the replacement for the Coast Guard's 41-foot patrol boats.

The Committee also recommends $478 million for non-Deepwater capital expenditures in FY 2010, an increase of 3.7 percent above the FY 2009 enacted level. Delaying funds for maintenance and repairs of shore facilities will only cost the Federal Government more money later.

The Committee recommendation for non-Deepwater capital expenditures includes $18 million to purchase 100 Response Boats - Small. In March 2003, the Coast Guard signed a contract to purchase up to 700 of these boats but has only purchased 539 of these boats. These additional boats will help the Coast Guard fulfill its expanding port security missions such as providing security to liquefied natural gas facilities.

Research, Development, Test and Evaluation

The Committee recommends approximately $18.0 million for Research, Development, Test and Evaluation environmental compliance and restoration in FY 2010, the same amount that was appropriated for FY 2009.

The Committee continues to support full funding of this account under the Coast Guard's direct control.

Alteration of Bridges

The Committee recommends approximately $16.0 million for the alteration of bridges that are unreasonable obstructions to navigation, the same amount that was appropriated for FY 2009 (excluding funding provided in the Recovery Act).

Port Security Grants

The Committee supports providing at least $400 million for port security grants in FY 2010.

Federal Maritime Commission

The Committee recommends approximately $25.0 million for the Federal Maritime Commission in FY 2010.

Economic Development, Public Buildings, and Emergency Management

Economic Development

The Committee has jurisdiction over five existing economic development programs: the Economic Development Administration ("EDA"), the Appalachian Regional Commission, the Denali Commission, the Delta Regional Authority, and the Northern Great Plains Regional Authority. In addition, P.L. 110-246 authorized the creation of three new regional commissions: the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, and the Northern Border Regional Commission. During the 111th Congress, the Committee intends to reauthorize EDA.

Regional Economic Development Commissions

Regional commissions have a proven track record of efficiently and fairly meeting the needs of the regions they serve by providing grants for infrastructure and economic development plans. These plans undergo a rigorous and thorough vetting process to ensure that only the best plans receive funding. The Committee remains committed to ensuring the full funding of these programs.

In 2008, P.L. 110-371 reauthorized the Appalachian Regional Commission ("ARC") through FY 2012. For FY 2010, $105 million is authorized for ARC programs, and an additional $13 million is authorized for economic and energy development initiatives. The Committee supports full funding for this important economic development program, 50 percent of which goes to Appalachian counties that are economically distressed. The Committee also supports continued funding for the Appalachian Development Highway

System, which will be reauthorized as part of the upcoming surface transportation authorization legislation to be considered later this year.

The Committee supports funding the Denali Commission at levels sufficient to allow it to continue with effective sustainability and development programs.

The Committee recommends funding the Delta Regional Authority ("DRA") at $30 million for FY 2010, equal to the authorized level. A failure to fully fund the DRA significantly hampers its ability to meet its mission.

The Committee recommends funding the Northern Great Plains Authority at $30 million for FY 2010, equal to the authorized level.

The Committee also recommends providing $30 million for each of the new regional commissions established by P.L. 110-246 in FY 2010, which is the authorized funding level.

Public Buildings

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of the GSA. These issues include the continued viability of the Federal Buildings Fund ("FBF"), GSA's courthouse construction program including the Courts' ability to pay for space already occupied, border station construction, the need for increased funds for repairs and alterations, and the use of leased space.

The FBF, the primary source of funding for GSA's capital investment program, while receiving consistent funding over the past several years, is barely maintaining its present position with regard to providing funding for construction of new federal buildings and the repair of existing buildings. The FBF is supported by lease payments charged to federal agencies occupying space in GSA facilities. GSA is increasingly relying on the use of leased space because it lacks funds for construction, repair, alteration, and modernization of Federally-owned facilities. The Committee recommends that the Administration carefully review the amount of funds made available for the construction, repair and alteration of federally owned facilities as well as reconsider the increased reliance on leased space and how these issues impact the Federal Buildings Fund.

GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of federal buildings. However, with funds provided in the Recovery Act, it is expected GSA will significantly reduce its repair and alteration backlog. The functional replacement value of GSA's 1,532 owned buildings is $41 billion. A significant investment will be necessary to make these buildings modern and efficient places to work. The Committee recommends fully funding the FY 2010 repair and alteration program, which will allow for an increase in the level of renovations being made to Federally-owned buildings. This funding will allow GSA to locate more Federal employees in government-owned space, which will reduce the amount of office space being leased from the private sector and thereby reduce overall costs.

GSA typically requests funding for continued agency consolidations, new border stations, general infrastructure and development activities, non-prospectus level

construction, and Federal Judiciary projects. The Committee urges the full funding of GSA's construction program.

The Committee will continue to monitor GSA's leasing program. The Committee continues to be concerned about the rising amount of leased space being used to meet the requirements of the civilian branch of the Federal Government where Federal facilities are not available. The leasing program is increasing from year to year, largely as a result of the scoring rules implemented pursuant to the Budget Enforcement Act of 1990, which force GSA into short-term, expensive leases, to avoid the budget impact of a capital lease.

Emergency Management

Department of Homeland Security

The failed response to Hurricane Katrina made evident many shortcomings at the federal level, in general, and with the Department of Homeland Security ("DHS") and the Federal Emergency Management Agency ("FEMA"), in particular. Most of these shortcomings can be directly tied to FEMA's placement in the DHS bureaucracy. Since 2003, the Committee has held hearings showing a clear correlation between the absorption of FEMA into DHS and the deterioration of FEMA's effectiveness. Another reason for this trend it that since becoming a part of DHS, FEMA's emergency management mission has shifted toward a disproportionate focus on terrorism at the expense of other hazards. The country requires FEMA to once again function with the nimbleness and flexibility that was its hallmark before being placed within the DHS bureaucracy. Therefore, the Committee feels that FEMA would function best, and the country would be best served in times of disasters, if FEMA was once again an independent agency led by an Administrator with extensive experience in emergency management, reporting directly to the President.

Additionally, there are continuing tensions between homeland security grant programs and the all-hazards emergency management approach as was identified at hearings of the Subcommittee on Economic Development, Public Buildings and Emergency Management on "FEMA's Preparedness And Response To All Hazards" on April 27, 2007, "Readiness in the Post-Katrina and Post-9/11 World: An Evaluation of the New National Response Framework" on September 11, 2007, "FEMA's Response to the 2008 Hurricane Season and the National Housing Strategy" on September 23, 2008, and "Post-Katrina Disaster Response and Recovery: Evaluating FEMA's Continuing Efforts in the Gulf Coast and Response to Recent Disasters on February 25, 2009".

Federal Emergency Management Agency

Mitigation – For FY 2009, Congress enacted $125.7 million for mitigation grants including $90 million for Pre-Disaster Mitigation ("PDM") and $35.7 million for flood mitigation assistance ("FMA"). The PDM Program, which is authorized by the Committee on Transportation and Infrastructure, will sunset on September 30, 2009, if further action is not taken. Effective disaster mitigation spending reduces the costs incurred in managing the consequences of natural disasters. While there is no authorization level for PDM for FY 2010, in the 110th Congress the Committee reported and the House passed H.R. 6109,

which would have authorized an appropriation of $250 million for FY 2010. The Committee supports funding at this level.

Disaster Relief – For disaster relief programs administered by FEMA, the Committee recommends funding sufficient to meet the needs of communities hit by disasters. The total amount enacted for the Disaster Relief Fund ("DRF") to date in FY 2009 is $9.36 billion, an increase of $4.9 billion above the FY 2008 level of $5.07 billion. In addition, Congress enacted $295,000 for the Disaster Assistance Direct Loan account for FY 2009, a decrease of $580,000 from the FY 2008 funding level. The Committee supports the President's initiative to include more realistic estimates of disaster needs in the budget, and will closely monitor FEMA's ability to recover previous grants to meet the needs of the disaster relief program.

Flood Map Modernization – In FY 2009, Congress enacted $220 million for flood map modernization, the same level as was provided for FY 2008. Over the past several years, FEMA has engaged in an aggressive plan to modernize the nation's flood maps. As maps are modernized, the Committee supports FEMA's efforts to include risk identification for multiple hazards associated with these maps. The Committee supports fully funding this program to ensure that communities across the country have the most accurate information possible for insurance, planning, and mitigation activities.

Emergency Management Performance Grants ("EMPG") – The EMPG program is the Federal Government's principal grant program to build basic State and local emergency management capability. In FY 2009, Congress enacted $315 million for the EMPG program, an increase from the FY 2008 enacted level of $300 million. The Committee believes the program should remain a flexible program focused on building basic emergency management capability and recommends that it be funded at the authorized level of $487 million in FY 2010.

FIRE Grants - In FY 2009, Congress enacted $775 million in all hazard assistance to firefighters in small and large communities around the nation. Of this amount, $210 million was specifically targeted to Staffing for Adequate Fire and Emergency Response ("SAFER") grants, which help fire departments increase the number of frontline firefighters, and the remainder was for Assistance to Firefighter Grants ("Fire Grants"). This is an increase from the FY 2008 enacted levels of $750 million and $190 million respectively. In addition, the Recovery Act appropriated $210 million for modifying, upgrading, or constructing non-Federal fire stations. The authorization for the FIRE grant program expires in FY 2009. The Committee supports funding FIRE Grants in FY 2010 at least at the FY 2009 authorized level of $1 billion.

Homeland Security Grants – In FY 2009, Congress enacted $3.106 billion for Homeland Security Prevention and Protection Programs, up from $2.587 billion enacted in FY 2008. This amount includes $950 million for the State Homeland Security Grant Program (up from $890 million enacted in FY 2008), and $837 million for the Urban Area Security Initiative (up from $820 million enacted in FY 2008).

Smithsonian Institution

A recent GAO report indicated $2.5 billion is necessary over the next 10 years to address the Smithsonian's backlog of facility maintenance. The Recovery Act provided $25 million for repair and alteration to Smithsonian Institution facilities. However, continued instability in the amount provided for facilities at the Smithsonian Institution poses a serious risk to the vitality of the Smithsonian and its ability to carry out its core missions. A reduction in funding in past years has made such projects as restoration of the Arts and Industries building impossible at this time, even though this historic building has serious structural defects that have required its closure. Additionally, this lack of funding threatens the Smithsonian's accreditation due to its inability to maintain and update its collection, provide adequate security at its museums, continue to fund research, and provide adequate staffing. The Committee recommends funding the Smithsonian's construction and revitalization program at a level that will allow it to meet its basic needs while continuing its research and outreach activities.

Architect of the Capitol

The Committee is concerned about the mounting backlog of capital requirements and urges full funding for the AOC program. The Committee intends to exercise aggressive oversight over the Capitol buildings and grounds.

John F. Kennedy Center for the Performing Arts

P.L. 110-338 authorizes appropriations for the John F. Kennedy Center for the Performing Arts through FY 2012. In FY 2010, the Center is authorized $22.5 million for maintenance, repair, and security, and an additional $17 million for capital projects. The performing arts programming and administrative support for the Kennedy Center is financed by ticket sales, auxiliary and investment income, and through private donations. The Committee supports funding the Kennedy Center at the authorized levels to ensure that the Kennedy Center can continue to maintain its historic building and provide a world class venue for its myriad of programming activities.

Highways and Transit

FY 2010 presents a myriad of challenges to providing a strong investment in our surface transportation infrastructure. The Committee has begun work on new surface transportation authorization legislation that must maintain the strength of our economy and sustain our quality of life at a time when vehicle miles traveled are declining, revenues into the Highway Trust Fund ("HTF") have fallen, and our infrastructure is rapidly aging and deteriorating. To address these complexities will require bold, transformational legislation backed by a strong investment in our surface transportation infrastructure.

The report of the National Surface Transportation Policy and Revenue Study Commission ("the Commission"), which Congress created to determine the future needs of the surface transportation system, identified a significant surface transportation investment

gap, and calls for an annual investment level of between $225 and $340 billion – by all levels of government and the private sector – over the next 50 years to upgrade all modes of surface transportation (i.e., highways, bridges, public transit, freight rail and intercity passenger rail) to a state of good repair. The current annual capital investment from all sources in all modes of transportation is $85 billion.

To begin addressing these needs, Congress must reauthorize the federal surface transportation programs currently contained in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU") that are set to expire on September 30, 2009. This new authorization will require significant investments to help reduce congestion, eliminate freight chokepoints, mitigate the impacts of our surface transportation system on the environment, reduce roadway fatalities, enhance our mobility and safety through innovation and technology, and provide modal choice for all users.

A new highway, transit, and highway safety authorization bill will also require a redefining of the federal role in surface transportation. According to the National Surface Transportation Policy and Revenue Study Commission, there are 108 federal surface transportation programs. We must redefine what our federal priorities are for the nation's surface transportation system.

Any increase in surface transportation investment must come with increased accountability and performance measures to ensure that taxpayer dollars are being used in ways that maximize the benefits received in return. Under most federal surface transportation programs, recipients of funding have significant flexibility in the use of funds, and tracking the benefits derived from these investments is difficult. The new authorization must be outcome-based and include mechanisms to allow Congress and the American public to see the benefits achieved from the investments made.

The core source of funding for the investment contained in the new authorization must continue to be user fee revenues. This unique financing mechanism is one of the primary reasons for the success of the nation's surface transportation network.

Unfortunately, the HTF is facing ongoing problems of solvency due to the declining revenues going into the trust fund. The cash balance in the Highway Account of the HTF has been falling steadily. The Highway Account had a balance of $22.55 billion at the end of FY 2000, but by the time the Transportation Equity Act for the 21st Century ("TEA 21") expired at the end of FY 2003, the balance had dropped to $13 billion. At the end of FY 2007, the balance in the Highway Account had declined further to $8.1 billion.

This balance was projected to be depleted during FY 2008. However, the Committee worked with the Committee on Ways and Means to address the projected shortfall in the Highway Account. On September 15, 2008, the Congress enacted H.R. 6532, a bill that restored $8 billion in user fee revenue to the HTF in order to maintain the solvency of the account. This legislation allowed for continued funding of the surface transportation programs authorized under SAFETEA-LU.

This legislation, however, was a short-term solution to a longer-term problem. Recent projections by the Congressional Budget Office ("CBO") show that the levels of

investment authorized under SAFETEA-LU are unsustainable under current revenue projections. A CBO analysis of its most recent HTF revenue estimates found that the HTF could support a highway investment level of approximately $20.5 billion in FY 2010. Therefore, if new revenues are not dedicated to the trust fund, the Federal-aid highway program must be cut in one-half in fiscal year 2010 to maintain the solvency in the trust fund.[7] The State-by-State funding cuts that would be required under this scenario are shown in Attachment A.

Although the issue of solvency of the Mass Transit Account of the HTF is less severe than for the trust fund as a whole, the Federal transit programs would also face a significant cut in FY 2010 to reach a program level that is sustainable under current revenue projections.

Without ways to bring new revenues into the HTF or significantly restructuring how our highway, transit, and highway safety programs are funded, these programs face sizeable cuts at a time when the nation's surface transportation network requires a substantial increase in investment just to maintain current standards. The Committee will continue to examine all current and potential methods of financing, including the federal motor fuel excise tax and alternatives to the current gas tax, to determine any and all appropriate methods of financing to be considered to provide a funding source for infrastructure investment.

Highways

Much has changed since the inception of the Interstate Highway System in 1956. The nation has undergone significant population growth, with the U.S. population doubling from 150 million to 300 million between 1950 and 2007. The nation's GDP has grown from $345 billion to $13 trillion. In 2005, there were more than three trillion vehicles miles traveled, five times the level experienced in 1955. These changes have resulted in many segments of the network handling much greater volume of traffic than originally projected – including the explosive growth in freight truck traffic due to the tripling of imports to the U.S. and doubling of exports since 1970.

These demographic changes are complicated by the fact that many aspects of the nation's highway infrastructure were constructed in the 1960s and 1970s, and are reaching the end of their useful design life and will require significant rehabilitation and reconstruction. As pavement structures reach 40 to 50 years of life, rehabilitation and resurfacing will no longer be sufficient and major portions of the nation's roadway network will require complete pavement and foundation reconstruction.

The impacts of these changes and the failure to provide sufficient investment levels and to adapt surface transportation programs to address these challenges are staggering. According to the Texas Transportation Institute's 2007 Urban Mobility Report, in 2005 wasted fuel and time translated into a total congestion cost of $78.2 billion in 2005 – $5.1

[7] Based on CBO's January 2009 baseline revenue assumptions, a Federal-aid highway program of $20.5 billion is the maximum program level that could be supported in FY 2010 without causing the cash balance of the Highway Account of the HTF to fall below zero.

billion higher than a year earlier – and that in 2005 drivers in 28 metropolitan areas experienced 40 or more hours of delay per year. In 1982, only Los Angeles experienced that level of congestion and delays.

This congestion is also increasing logistics costs. According to the Council of Supply Chain Management Professionals, between 2004 and 2005, after 17 years of decline, total logistics costs for U.S. companies increased by $156 billion. Overall, logistics costs accounted for 10.1 percent of the U.S. Gross Domestic Product in 2007, up from 9.9 percent in 2006 and 8.8 percent in 2004.

According to the most recent U.S. Department of Transportation's Conditions and Performance ('C&P") report, the average annual investment needed to maintain current highway conditions and user costs is projected to be $78.8 billion per year from all sources from 2005 to 2024. This is an increase of 2.3 percent over the projections made in the DOT's 2004 C&P report. The average annual level of investment required to improve highway conditions and performance is projected to be $131.7 billion over the 2005 to 2024 period.

Transit

According to the American Society of Civil Engineers, transit use has increased faster than any other mode of transportation. The American Public Transportation Association documented that Americans took 10.3 billion trips on public transportation in 2007, the highest level in 50 years. Ridership has continued to climb in 2008, with a 4.4 percent increase in trips taken during the first half of 2008 compared to the same period last year, putting 2008 on track to beat last year's modern record ridership numbers.

The infrastructure required to support these riders is extensive. There are more than 11,000 miles of transit system fixed guideway track, 3,000 transit rail stations, and more than 171,000 transit vehicles (buses, rail cars, and vans) in service. Unfortunately, numerous segments of the nation's public transportation infrastructure are in need of major repairs. For example, DOT's 2006 Conditions and Performance Report has found that fifty-one percent of urban rail passenger stations are rated as substandard, and nearly one-third of bus maintenance facilities are in an unacceptable condition. Additionally, 16 percent of elevated transit structures are substandard; 13 percent of underground transit tunnels are substandard; and 8 percent of transit track is in substandard condition. Some rail transit systems have been in service for 75 to 100 years, and need significant rehabilitation. Other newer transit systems have been growing at record levels and are facing a critical first phase of modernization needs.

At the same time that our nation's transit systems are struggling to maintain current services, more commuters are utilizing transit for their daily travel needs, increasing the importance of improving transit's availability, reliability and state-of-good-repair. Increased transit ridership is also a key element of reducing our reliance on foreign oil and promoting environmental sustainability. Achieving a level of public transportation usage comparable to the rate of Europeans – who use transit for roughly 10 percent of their daily travel needs – the United States could reduce its dependence on imported oil by more than 40 percent, nearly equal to the 550 million barrels of crude oil that we import from Saudi Arabia each

year. The Commission report found that a $32 billion annual investment could result in a doubling of transit ridership by 2020. Today, the total capital investment in public transportation from all sources is approximately $13 billion annually, so an additional $19 billion would be needed each year to reach this ridership goal.

Highway and Motor Carrier Safety

In 2007, 41,059 people lost their lives and almost 2.5 million people were injured in motor vehicle crashes. Motor vehicle crashes are now the leading cause of death and disability for American ages 2 through 34. According to the National Highway Traffic Safety Administration ("NHTSA"), the 6.2 million motor vehicle crashes cost an estimated $230.6 billion related to deaths, injuries, property damage, productivity losses, medical bills, and other related costs. In addition, crashes involving large trucks resulted in 4,808 fatalities and 101,000 injured persons in 2007.

In 1999, Congress established the Federal Motor Carrier Safety Administration ("FMCSA") as a separate modal agency within DOT and assigned this new agency responsibility for commercial motor vehicle safety. Congress charged FMCSA with a clear safety mission to "consider the assignment and maintenance of safety as the highest priority." The legislation establishing FMCSA further required DOT to report back to Congress on "quantitative progress toward reducing motor carrier fatalities by 50 percent by the year 2009." The agency has fallen well short of this goal. In 1999, over 5,365 individuals were killed in crashes involving motor carriers. Over six years, FMCSA's annual appropriation has increased more than 250 percent.

FMCSA oversees the safety of an industry of over 700,000 active motor carriers that operate nearly five million vehicles and employ over seven million drivers. One of the primary enforcement tools used by FMCSA is the Compliance Review process, which is an on-site examination of a motor carrier's records and operations to determine whether the carrier meets Federal safety standards, and whether adequate safety management controls are in place. FMCSA cannot conduct Compliance Reviews of all carriers annually due to resource constraints. Currently, FMCSA conducts a Compliance Review of less than two percent of carriers annually.

Research

Research activities within the Department of Transportation are coordinated by the Research and Innovative Technology Administration ("RITA"). RITA was created in 2004 as a successor to the Research and Special Programs Administration, and is charged with coordinating, facilitating, and reviewing the research and development activities of the Department.

The next authorization must increase investment in research and technology that will make our infrastructure safer, smarter, and more reliable. According to the Transportation Research Board, highway research programs are significantly underfunded compared with the level of research, development, and technology investment in other industrial sectors. Public and private highway research is funded at only about one-quarter the level of industrial research and development in the United States.

The next authorization must take steps towards closing that gap, with strong investments in highway research as well as research across all modes of surface transportation, including transit, motor carriers, walking, and bicycling. The legislation must create a research and technology program targeted at national goals in order to ensure that investments are being used to maximize benefits to the American taxpayers.

Railroads, Pipelines, and Hazardous Materials

Federal Railroad Administration

The Committee reauthorized the Federal Railroad Administration's ("FRA") rail safety program in the 110th Congress. The Rail Safety Improvement Act of 2008 ("Rail Safety Act") (P.L. 110-432) provides $1.625 billion for our nation's rail safety program over the period encompassing fiscal years 2009 through 2013. It implements a number of long-standing National Transportation Safety Board ("NTSB") recommendations by requiring all Class I railroads and intercity passenger and commuter railroads to install a positive train control system by December 31, 2015, on all main-line track where intercity passenger railroads and commuter railroads operate and where toxic-by-inhalation hazardous materials are transported, and authorizes $50 million a year through FY 2013 to assist railroads in meeting that requirement. The Act also reforms hours-of-service standards to provide train crews with more rest time; requires Class I railroads to provide emergency escape breathing apparatus for all crewmembers on freight trains carrying hazardous materials; and strengthens track and grade crossing safety.

The Rail Safety Act enhances railroad worker training; prohibits railroads from denying, delaying, or interfering with the medical treatment of injured workers; increases civil penalties for certain rail safety violations; enhances bridge and tunnel safety; establishes a program at the NTSB to assist victims and their families involved in a passenger rail accident, modeled after a similar aviation disaster program; and ensures that State governments are able to protect their citizens against environmental hazards, such as noxious fumes or leaks into groundwater, which could result from operation of a waste processing facility by a railroad.

Prior to enactment of the Rail Safety Act, the FRA's rail safety program had not been reauthorized since 1994; that authorization expired in 1998. Since that time, a number of high-profile accidents have demonstrated the need to take immediate steps to enhance rail safety.

Without full funding authorized in the Rail Safety Act, the FRA reports that it may be unable to fully implement the law. In a letter received by the Committee on February 9, 2009, the FRA states:

> The legislation was enacted during the pendency of a full range of existing rulemakings and other activities and while the agency was funded under a continuing resolution, the legislation required us to absorb new mandated costs. Although the Act authorizes additional resources, it does not provide them. Our current budget situation is very tenuous, given that we have been required to absorb salary increases for two years in a row, and staff members are fully occupied with existing duties mandated by prior legislation...accordingly, FRA will adjust priorities to the extent possible.

The Committee therefore urges full funding for FRA's safety activities at the authorized levels, including the $245 million authorized for FRA for FY 2010.

In addition, the Committee supports at least the FY 2009 funding level of $33.95 million[8] for the FRA research and development program. FRA's research and development projects contribute vital inputs to the FRA's safety regulatory processes, to railroad suppliers, to railroads involved in the transportation of freight, intercity passengers, commuters, and to railroad employees and their labor organizations.

Passenger Rail

The Committee reauthorized Amtrak in the 110th Congress. The Passenger Rail Investment and Improvement Act of 2008 ("Passenger Rail Act") (P.L. 110-432) provides a total of $13.06 billion over five years to help bring the Northeast Corridor to a state of good repair, and encourage the development of new and improved intercity passenger rail service through an 80-20 Federal/State matching grant program. It also provides $1.5 billion for the planning and development of high-speed rail corridors.

The Passenger Rail Act requires the Secretary of Transportation to issue a request for proposals for projects for the financing, design, construction, and operation of 10 federally-designated high-speed rail corridors and the Northeast Corridor. Proposals would need to meet certain financial, labor, and planning criteria, as well as a detailed description to account for any impacts on existing passenger, commuter, and freight rail traffic to be considered. If the Secretary receives a qualifying proposal, he would be directed to form a Commission to study any proposals received. The Secretary would issue a report to the Congress on the Commission's findings and his recommendations for each of the corridors. Any further action on a proposal would need legislative approval by Congress.

In addition, the Passenger Rail Act authorizes $1.5 billion for fiscal years 2009 through 2019 for capital preventive maintenance grants for the Washington Metropolitan

[8] Pursuant to H.R. 1105, the Omnibus Appropriations Act, 2009, as passed by the House February 25, 2009.

Area Transit Authority. The authorization of these funds is contingent upon local funding commitments by the District of Columbia, Maryland, and Virginia. The Passenger Rail Act also includes a number of measures to reform Amtrak's operations and Amtrak's financial and accounting procedures; improve Amtrak's on-time performance; reduce Amtrak's debt; and resolve disputes between commuter and freight railroads. The Act also extends the number of years a recipient of a Railroad Rehabilitation and Improvement Financing ("RRIF") loan would have to be repaid from 25 years to 35 years. These loans will help railroads, States, government-sponsored authorities, and shippers improve capacity. Funding from the RRIF program can also be used to develop intercity and high-speed rail systems and purchase and install positive train control systems.

On February 17, 2009, Amtrak submitted its Legislative and Grant Request to Congress for FY 2010. This request, and accompanying documentation, supports funding for Amtrak of $1.840 billion in FY 2010, including $580 million for operating assistance, $975 million for capital grants, $264 million for debt service, and $21 million for the Office of Inspector General at Amtrak. The Committee supports funding of at least $1.840 billion for Amtrak in FY 2010.

The Committee supports fully funding the initial President's Budget request of $5 billion for high-speed rail over the next five years. Building on the $8 billion for high-speed rail included in the American Recovery and Reinvestment Act of 2009, this additional funding will lead to the creation of several high-speed rail corridors across the country linking regional population centers. In the Passenger Rail Investment and Improvement Act of 2008 (P.L. 110-432), the Committee authorized a High-Speed Rail Corridor Development program (section 501), Additional High-Speed Rail Projects (section 502), and Capital Assistance for Intercity Passenger Rail Service (section 301).

The Committee also supports full funding for activities needed to develop a new rail tunnel alignment in Baltimore, Maryland, that would permit an increase in train speed and service reliability, as authorized by Section 304 of the Act. The Baltimore Tunnel is over 100 years old. While resources have been devoted to improve the tunnel, it has been long recognized that the tunnel needs to be replaced. In 2005, the DOT reported that the Baltimore Tunnel is of National significance and should be replaced: "Baltimore's railway network is so antiquated and underdeveloped, and so important to the Nation's transportation system, as to fully justify the Congressional request for this analysis." It also stated that "...further incremental repairs to existing facilities, other than for purposes of safety and operational continuity, will not address any of the inherent geometric problems that plague the transit of Baltimore by rail." The DOT also recommended potential new rights of way for a new tunnel.

Finally, the Committee supports funding for the Next Generation Corridor Train and Equipment Pool, which will design, develop specifications for, and procure standardized next-generation corridor equipment, as authorized by Section 305 of the Act; and the Rail Cooperative Research Program, which is intended to address enhanced intercity and high-speed passenger rail services and new technologies, as authorized by Section 306 of the Act.

Pipelines and Hazardous Materials

In 2005, the Committee reauthorized and strengthened the DOT's hazardous materials transportation safety program in SAFETEA-LU. To carry out the program in FY 2008, Congress authorized $30 million for hazardous materials safety and $28.3 million for emergency preparedness grants, including $21.8 million for State, territory, and tribal grants; $4 million for hazmat employee training grants; $1 million for firefighter training grants; $625,000 for publishing and distributing the Emergency Response Guidebook; $200,000 for the public sector training curriculum; and $150,000 for monitoring technical assistance.

Although the program expired in 2008, the Committee intends to reauthorize the program in 2009. The Committee supports funding for FY 2010 at the FY 2009 level included in H.R. 1105 as passed by the House on February 25, 2009.

For pipelines, the Committee reauthorized and strengthened the Department's pipeline safety program with enactment of the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 ("PIPES Act") at the end of the 109th Congress. Congress authorized $96.58 million for FY 2010 to carry out the pipeline safety program, including $20 million from the Oil Spill Liability Trust Fund. In addition, Congress authorized $10 million to assist States, counties, and local governments in high consequence areas in emergency response management, training, and technical assistance; $1 million in grants for technical assistance to local communities and groups of individuals relating to the safety of pipeline facilities in local communities; and $1 million for One Call grants to States. The Committee supports funding at the authorized levels.

Water Resources and Environment

Army Corps of Engineers

The Committee supports Federal investment in the Civil Works program at levels sufficient to address the nation's current and future needs for navigation, flood damage reduction, and environmental restoration. In total, the Committee recommends an appropriation of $8.0 billion for the Corps of Engineers for FY 2010. The President's recommendation for FY 2010 is $5.1 billion. A detailed break-out of the Committee's recommended funding level by program is provided below.

Our existing aging infrastructure must be modernized and adequately maintained. With a growing backlog of Corps construction and maintenance projects, including projects and studies authorized through enactment of the Water Resources Development Act of 2007, and given the importance of these water resource projects to the economy, the Committee believes the Corps should be funded at the level that allows it to achieve its full capability.

With trade expanding and highways and railways congested, efficient water navigation must be provided and maintained. The ports and waterways constructed and maintained by the Corps program also assist in the movement of military equipment for

overseas deployment. While much has been done to discourage development in floodplains, there are still many areas where floods create tremendous economic and personal hardship.

The vast array of navigation and flood damage reduction infrastructure is important to the nation's economy, and a secure economy is a necessary part of a secure nation. But this infrastructure has suffered from many years of inadequate funding for maintenance and replacement. The capital stock value of Corps water resources infrastructure has been decreasing since the late 1970s. Significant increases in investment for maintenance of existing facilities and the construction of modern ones are urgently needed.

In the 110th Congress, in an effort to address the growing need for navigation, flood damage reduction, and environmental restoration projects, the Water Resources Development Act of 2007 ("WRDA 2007") was enacted. This important legislation authorized approximately $23 billion in Federal assistance for new Corps projects and studies, and modifications to existing Corps projects. The Committee supports appropriation levels for FY 2010 and beyond that will allow the Corps to proceed expeditiously with carrying out the projects and studies contained in WRDA 2007 and prior water resources development acts, including key national priorities within the Corps mission areas, such as restoration of the Florida Everglades, navigation and environmental restoration projects along the Upper Mississippi River and Illinois Waterways, and efforts to restore the Louisiana Coastal Area.

Investigations

The Corps must conduct new studies to determine where there is federal interest in water resource development. Recent Presidential budget requests for the Investigations account have proposed funding levels far below Corps' capability, and have had a negative impact on the continued development of justified projects.

In addition, an underfunded Investigations account places the nation at risk of losing the skills developed by Corps personnel as they plan and design civil works projects. Because the Corps is both a civilian and a military organization, these skills directly benefit the Corps' military mission, as demonstrated by the current deployments of Corps personnel to Iraq and the substantial involvement of Corps districts and laboratories in managing infrastructure improvements in Iraq. The Corps also responds to domestic and international emergencies, such as Hurricane Katrina in August 2005.

The Committee recommends an appropriation of $300 million for the Investigations account in FY 2010 to support the core capabilities of the agency, maintain a steady flow of good investment options that will provide economic benefits and protect and restore the aquatic environment, and provide funding for ongoing project studies and studies authorized by WRDA 2007 or through Study Resolutions of the Committee on Transportation and Infrastructure.

Construction

The Committee supports funding for the Construction account sufficient to sustain a steady and reliable pace for ongoing construction projects, as well as initiate construction on

priority projects throughout the Corps' missions of navigation, flood damage reduction, and environmental restoration. Recent Presidential budget requests for the Construction account have proposed funding levels far below the Corps's construction capability. Reduced funding levels draw out the construction period for most projects and delay the start of new investments.

The Committee is concerned that insufficient funding levels for the Construction account will increase the cost of completing projects and will delay the national economic and ecosystem restoration benefits that these investments provide. The Committee supports funding the Construction account at a level that would allow for completing more projects in an efficient manner. The Committee recommends an appropriation of $3.4 billion for the Construction account in FY 2010 to fund the construction of vital ongoing projects at the Corps' capability and begin construction of projects authorized in the WRDA 2007.

Operation and Maintenance

The Committee supports funding for the Operation and Maintenance account sufficient to meet the Corps' needs for dredging, repairs, and other traditional operation and maintenance activities. With much of the nation's inland navigation infrastructure at or past its design life, the Committee supports funding that is sufficient for addressing the growing backlog of maintenance projects. The Committee is concerned that sustained low funding will limit the navigability of our ports and waterways, reduce flood damage reduction benefits and hydropower production, and imperil environmental benefits. For example, unscheduled lock closures have been increasing significantly, shutting down rivers, disrupting the movement of goods, and harming the economy.

The Committee recommends an appropriation of $3.2 billion for the Operation and Maintenance account in FY 2010.

Harbor Maintenance Trust Fund

The Committee remains concerned about the surplus in the Harbor Maintenance Trust Fund. As of the end of FY 2008, the surplus in this fund was $4.652 billion. This fund is supplied by taxes paid by users of ports and is meant to pay for harbor maintenance projects.

For years, more funds have been collected than have been appropriated and a large surplus in the Trust Fund has accumulated. This problem has not been caused by a lack of needed port maintenance dredging. To the contrary, the Corps of Engineers has had the capability to execute a far greater amount of work on nationally significant water projects authorized by Congress. The constraint on the performance of this valuable work has been the limited level of funding appropriated from the Trust Fund. The result has been unnecessary cost increases, significantly delayed completion dates, and delays in realizing transportation savings. At a minimum, the Committee supports annual appropriations from the Harbor Maintenance Trust Fund for authorized purposes consistent with annual collections to the Fund.

Inland Waterways Trust Fund

The Committee is aware of the declining revenues in the Inland Waterways Trust Fund, which is derived from a 20-cent-per-gallon tax on diesel fuel for commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of Federal inland waterways projects. As of the end of FY 2008, the Inland Waterways Trust Fund had a surplus of just $27 million.

On February 26, 2009, the initial President's Budget indicated that the Administration will propose to phase out the current funding source for the Inland Waterways Trust Fund, and in its place, to implement a lock user fee. As it did with the previous administration's similar proposal, the Committee continues to express reservations with any proposal to raise the costs of shipping goods along the inland waterway system.

Regulatory Program

The Committee supports funding for the Corps' regulatory program at levels sufficient to ensure efficient and effective permit review, compliance, and enforcement, and to allow projects that require a Corps of Engineers' permit to be addressed in a timely manner Recent Presidential Budget requests for the Corps' regulatory program have proposed funding levels far below the level necessary to meet Corps' performance measures on reaching final permit decisions on general and individual permits within a targeted period of time, and on maximizing compliance and enforcement of existing general and individual permits

The Committee is aware of continued delays within the Corps' regulatory program for processing individual and general permit application requests and ensuring compliance with existing permits, in accordance with the Rivers and Harbors Appropriations Act of 1899, the Federal Water Pollution Control Act Amendments of 1972 (more commonly known as the Clean Water Act), and the Marine Protection, Research and Sanctuaries Act of 1972. According to Assistant Secretary of the Army (Civil Works) John P. Woodley's FY 2009 Budget statement from one year ago, the U.S. Supreme Court decision in *Rapanos* and *Carabell* has resulted in additional field documentation, coordination, and evaluation work for Clean Water Act permits

The Committee supports an appropriation of $300 million for the Regulatory account of the Corps of Engineers. At this level, the Corps should meet and potentially exceed its performance measures for permit review, compliance, and enforcement.

Remaining Accounts

The Committee supports an appropriation of $400 million for the Mississippi River and Tributaries account for FY 2010.

The Committee supports an appropriation of $200 million for the Formerly Utilized Sites Remedial Action Program ("FUSRAP") account for FY 2010.

The Committee supports an appropriation of $200 million for the Expenses account for FY 2010.

Natural Resources Conservation Service

The Committee has jurisdiction over the following programs of the Natural Resources Conservation Service ("NRCS"): Watershed Surveys and Planning, Watershed Protection and Flood Prevention Operations, and Watershed Rehabilitation. The Committee supports an appropriation of $120 million for NRCS to carry out its Watershed Surveys and Planning, Watershed Protection and Flood Prevention Operations, and Watershed Rehabilitation programs, plus additional funding to address emergency watershed protection measures that typically require $100 million annually.

Environmental Protection Agency

For water infrastructure programs administered by the Environmental Protection Agency ("EPA"), the Committee recommends levels adequate to address the increasing need for capitalization grants for Clean Water State Revolving Funds ("Clean Water SRFs") and core programs under the Clean Water Act. Meeting the increasing need and the widening wastewater infrastructure financing gap will require an increase in the authorization levels and accompanying appropriations.

To this end, the Committee strongly supports the initial President's Budget request for the Clean Water SRF program, which would significantly increase the Federal commitment to restoring and maintaining the nation's water quality to $2.4 billion in fiscal year 2010.

In the 111th Congress, the Committee will consider legislation similar to H.R. 720, the "Water Quality Financing Act of 2007", introduced in the 110th Congress, to address these needs. Title I of H.R. 1262, introduced by Chairman James L. Oberstar on March 3, 2009, authorizes $13.8 billion over five years for the Clean Water SRF.

The Committee supports significant Federal appropriations for the Clean Water SRF, starting at least at $2.4 billion for FY 2010, to help State and local governments meet their wastewater infrastructure needs.

The Committee supports increased Federal funding for efforts to control nonpoint sources of pollution, including the nonpoint source management program authorized by section 319 of the Clean Water Act. The Committee is concerned that, in the years since enactment of the 1972 Clean Water Act, the single largest-remaining and uncontrolled contributor of pollutants to the nation's waters is nonpoint sources. In fact, EPA has estimated that 90 percent of the nation's impaired waters are contaminated, in part, by nonpoint sources of pollution. According to the most recent EPA Clean Watersheds Needs Survey, total nonpoint source needs over the next 20 years are, at a minimum, $38 billion or $1.9 billion annually on average. The Committee supports an appropriation of $1 billion for FY 2010 for EPA's nonpoint source management program authorized by section 319 of the Clean Water Act.

The Committee supports increased Federal funding for State water quality management programs under Section 106 of the Clean Water Act. Prevention and control measures supported by State water quality management programs include Clean Water Act permitting, pollution control activities, surveillance, monitoring, enforcement, local governmental training, and public information. The Committee supports an appropriation of $400 million for FY 2010 for State water quality management programs under section 106 of the Clean Water Act.

The Committee supports increased Federal funding for water quality cooperative agreements and grants, and wastewater operator training grants authorized by section 104 of the Clean Water Act. Section 104(b)(3) of the Clean Water Act authorized Federal grants to state water pollution control agencies, interstate agencies, municipalities, Indian tribes and other nonprofit institutions to promote the prevention, reduction and elimination of pollution, with priority consideration given to watershed protection, and activities addressing stormwater, combined sewer overflows, mining, on-site systems, and animal feeding operations. Section 104(g)(1) of the Clean Water Act authorizes funding for the wastewater treatment plant operator on-site assistance training program, which provides small publicly owned treatment works with on-site training and other technical operation and maintenance assistance. The Committee supports a combined appropriation of $25 million for FY 2010 for water quality cooperative agreements and grants authorized by section 104(b)(3) of the Clean Water Act and the wastewater treatment plan operator on-site assistance training program authorized by section 104(g) of the Clean Water Act.

The Committee supports increased Federal funding for projects and activities related to the remediation of contaminated sediment in the Great Lakes' areas of concern, as authorized by the Great Lakes Legacy Act, as amended by P.L. 110-365. The Committee supports funding projects eligible under section 118(c)(12) of the Clean Water Act at authorized levels for FY 2010.

The Committee supports funding projects and activities eligible under the National Estuaries Program (section 320 of the Clean Water Act), section 117 of the Act (Chesapeake Bay), section 118 of the Act (Great Lakes), section 119 of the Act (Long Island Sound), and section 120 of the Act (Lake Champlain) at authorized levels for FY 2010.

For the Superfund program administered by the EPA, the Committee recommends funding at a level commensurate with current program needs and as necessary to maintain the average number of construction completions over the past 10 years. As with the Corps of Engineers Civil Works Program, the Committee recommends funding for the Superfund program at a level that matches its capability, so that no cleanup projects fail to advance due to lack of funding, delaying public health and environmental benefits, as well as economic benefits derived from returning sites to productive use.

The Committee supports funding the brownfields program at authorized levels. The Small Business Liability Relief and Brownfields Revitalization Act (P.L. 107-118) authorizes $200 million annually for brownfields site assessments, cleanup, research, technical assistance, and job training, which has traditionally been funded out of the State & Tribal Assistance Grants ("STAG") account. The Committee recommends full funding of this

authorization. These funds are used to assess and physically clean-up sites. The Small Business Liability Relief and Brownfields Revitalization Act also authorizes $50 million annually in grants to States to fund State voluntary cleanup programs, which also has traditionally been funded out of the STAG account. The Committee recommends full funding of this authorization.

Tennessee Valley Authority

Since FY 2001, 100 percent of the Tennessee Valley Authority's ("TVA's") power and non-power programs have been funded through its power revenues and TVA has received no appropriated funds. However, the Committee will exercise its oversight responsibilities over the agency in FY 2010, including a review of TVA's cleanup of the Kingston Coal Ash spill.

Saint Lawrence Seaway Development Corporation

The Saint Lawrence Seaway Development Corporation is a wholly-owned government enterprise created in 1954 to construct, operate, and develop jointly with Canada a seaway between Montreal and Lake Erie. Funding for operation and maintenance of Seaway facilities is appropriated from the Harbor Maintenance Trust Fund, which derives its revenue from a 0.125 percent tax on the value of cargo loaded or unloaded at U.S. ports, as well as from tolls collected on the Saint Lawrence Seaway.

The Saint Lawrence Seaway Development Corporation has developed a 10-year U.S. Asset Renewal Program Capital Investment Plan for navigation infrastructure and facilities, including lock operation upgrades and maintenance, waterway management, tunnel and bridge maintenance, and facility upgrade and maintenance. The total cost of the 10-year asset renewal program is $164,605,000, which is authorized by section 5015 of the Water Resources Development Act of 2007 (Pub. L. 110-114).

The Committee strongly supports sufficient appropriations in FY 2010 and beyond to carry out the long-term asset renewal plan of the Seaway.

Attachment A

Federal-aid Highway Formula Funding

Comparison of FY 2009 Highway Formula Funding
and FY 2010 Estimated Highway Formula Funding

State	FY 2009	FY 2010	Difference
Alabama	$664,181,764	$323,042,100	**-$341,133,274**
Alaska	$290,717,063	$154,217,993	**-$136,439,656**
Arizona	$672,374,585	$334,869,664	**-$337,358,012**
Arkansas	$410,847,021	$199,994,669	**-$210,760,572**
California	$3,002,777,749	$1,432,345,932	**-$1,569,748,241**
Colorado	$451,065,359	$214,783,221	**-$236,179,288**
Connecticut	$422,828,746	$206,115,961	**-$216,618,453**
Delaware	$129,898,054	$61,742,815	**-$68,125,573**
Dist. of Col.	$126,772,019	$57,706,434	**-$69,035,523**
Florida	$1,690,108,775	$856,100,538	**-$833,645,210**
Georgia	$1,119,611,475	$563,579,972	**-$555,803,804**
Hawaii	$136,011,037	$62,764,714	**-$73,214,439**
Idaho	$244,839,686	$121,609,146	**-$123,176,900**
Illinois	$1,121,712,771	$545,780,494	**-$575,681,587**
Indiana	$852,499,523	$429,189,026	**-$423,126,239**
Iowa	$384,432,661	$180,874,932	**-$203,469,124**
Kansas	$327,579,516	$150,648,053	**-$176,854,449**
Kentucky	$568,095,523	$278,019,163	**-$289,997,358**
Louisiana	$555,575,744	$265,997,058	**-$289,452,639**
Maine	$139,283,908	$62,993,021	**-$76,257,679**
Maryland	$518,543,985	$244,756,979	**-$273,684,396**
Massachusetts	$531,894,794	$245,434,685	**-$286,335,419**
Michigan	$926,977,662	$445,455,717	**-$481,312,349**
Minnesota	$523,448,534	$253,625,570	**-$269,705,516**
Mississippi	$389,213,117	$185,568,894	**-$203,561,651**
Missouri	$762,024,021	$372,601,804	**-$389,252,711**
Montana	$315,817,904	$158,032,540	**-$157,716,683**
Nebraska	$244,575,447	$114,536,553	**-$129,982,291**
Nevada	$256,097,971	$125,229,109	**-$130,811,898**
New Hampshire	$146,151,389	$69,434,591	**-$76,683,405**
New Jersey	$859,742,154	$418,355,207	**-$441,194,820**
New Mexico	$310,184,441	$150,601,494	**-$159,513,483**
New York	$1,450,156,103	$683,146,648	**-$766,686,958**
North Carolina	$930,622,868	$458,051,687	**-$472,405,295**
North Dakota	$207,347,401	$97,167,806	**-$110,131,637**
Ohio	$1,147,361,001	$560,436,769	**-$586,696,214**
Oklahoma	$504,786,983	$241,591,918	**-$263,080,502**
Oregon	$372,563,076	$174,888,132	**-$197,588,901**
Pennsylvania	$1,443,922,086	$687,506,437	**-$756,221,567**
Rhode Island	$163,809,919	$74,085,239	**-$89,685,625**
South Carolina	$548,969,028	$271,636,079	**-$277,220,908**
South Dakota	$217,374,734	$104,962,264	**-$112,363,539**
Tennessee	$704,208,483	$346,845,935	**-$357,236,815**
Texas	$2,868,608,137	$1,434,840,702	**-$1,433,143,347**
Utah	$259,427,213	$125,124,130	**-$134,244,624**
Vermont	$134,115,890	$60,864,397	**-$73,219,607**
Virginia	$859,531,139	$421,978,151	**-$437,408,596**
Washington	$556,453,022	$257,327,936	**-$298,994,883**
West Virginia	$350,067,330	$175,610,671	**-$174,424,426**
Wisconsin	$642,654,090	$322,546,216	**-$319,968,538**
Wyoming	$215,495,030	$102,709,807	**-$112,736,130**
SUBTOTAL	**$32,673,357,931**	**$15,887,328,973**	**-$16,779,290,754**

*This table is based on Federal Highway Administration technical assistance comparing FY 2009 highway formula funding, pursuant to H.R. 1105, as passed by the House on February 25, 2009, and the Congressional Budget Office's estimated sustainable FY 2010 funding for the Federal-aid Highway Program.

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REPUBLICAN STAFF DIRECTOR
AND CHIEF COUNSEL

March 13, 2009

Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to § 301(d) of the Congressional Budget Act of 1974, and House Rule X, clause 4(f), and Rule 7 of the Rules of the Committee on Veterans' Affairs, the Committee on Veterans' Affairs hereby submits its Views and Estimates with regard to programs and matters within the jurisdiction of the Committee to be set forth in the concurrent resolution on the budget for fiscal year 2010. The Minority will be submitting Additional and Dissenting Views under separate cover.

Caring for our veterans is an ongoing cost of war, and a continuing cost of our national defense. As a Congress, and a nation, we must fulfill our obligations to the men and women who have served. We hope that you will carefully consider these Committee views and estimates. We have a lot of work ahead of us if we are to keep our promises to veterans. Working together, we can make sure that our veterans are not forgotten, and that we meet our obligations to them as a nation.

Sincerely,

Bob Filner
BOB FILNER
Chairman

Corrine Brown
CORRINE BROWN

Vic Snyder
VIC SNYDER

Michael H. Michaud
MICHAEL H. MICHAUD

Honorable John M. Spratt, Jr.
March 13, 2009
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Committee on Veterans' Affairs
U.S. House of Representatives
111th Congress

Views and Estimates
FY 2010

March 13, 2009

Introduction

On February 26, 2009, the Administration submitted its preliminary FY 2010 budget. This 134-page document, entitled *A New Era of Responsibility: Renewing America's Priorities*, provides scant detail regarding the VA's FY 2010 budget. By necessity, this year's Views and Estimates will not contain the same level of detailed analysis and individual account recommendations as in previous years.

Because of the lack of details regarding non-VA programs in this year's preliminary budget, the Committee will not be making recommendations regarding the Veterans Employment and Training Service of the Department of Labor, the American Battle Monuments Commission, and the U.S. Court of Appeals for Veterans Claims.

Section 1 – Discretionary Accounts

Department of Veterans Affairs

For FY 2010, the Administration is requesting $52.5 billion for the discretionary accounts of the Department of Veterans Affairs (VA). This request is $4.9 billion, or 10.3 percent, over FY 2009 enacted levels. The Administration is estimating a total resource level, including medical care collections, of $55.9 billion for FY 2010. This overall level is $1.3 billion over the recommendations of the Independent Budget, which is co-authored by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars. This year marks the first time in the 23-year history of the Independent Budget that an administration has proposed a budget that exceeds its recommendations.

For the second year, the Independent Budget has included amounts attributable to medical care collections in its funding level recommendation for the Medical Services account. The Independent Budget argues that amounts for discretionary programs of the VA should be fully appropriated and hence collections should not be included. The Independent Budget is silent regarding how resources realized through medical collections should be spent by the Department, or even if the VA should continue to collect for the provision of health care services

for non-service-connected conditions. In order to more accurately compare budget numbers, amounts attributable to medical care collections should be added to the discretionary appropriations request, or conversely, the amount estimated for collections should be subtracted from the Independent Budget request.

The Committee[1] is recommending $53.3 billion for the discretionary accounts of the Department of Veterans Affairs (VA) for FY 2010. This recommendation is an increase of $5.7 billion, or 12 percent over the FY 2009 enacted level of $47.6 billion, and $800 million, or 1.5 percent, above the Administration's request.

The Administration's number for total resources for discretionary programs for FY 2010 indicates an appropriations level of $52.5 and an amount attributable to collections of $3.4 billion. The VA saw an 11 percent increase in collections from FY 2007 to FY 2008, and is estimating $2.5 billion in collections for FY 2009. The Administration's estimate would represent an increase in collections of $900 million, or 36 percent, from FY 2009 estimated levels.

The Committee is estimating that the VA will realize at least $2.8 billion in medical care collections in FY 2010. When this amount is added to the recommended level of appropriated discretionary funding the Committee is recommending an overall level of resources for the VA of $56.1 billion. This represents an increase of $200 million over the Administration's proposed total resource level of $55.9 billion and $1.5 billion above the Independent Budget recommendation of $54.6 billion.

The Committee is concerned that the VA may find it difficult to realize an increase of 36 percent in collections using existing authorities, even with the increase in the number of Priority 8 veterans allowed into the system this fiscal year. The Committee recommends that an additional $600 million above the Administration's request be provided in appropriated dollars in order to safeguard the provision of health care to veterans. The Committee believes this is a prudent step as it awaits further details regarding the Administration's budget request. As further details are provided and the Committee is assured that the VA can collect these additional revenues using current authorities, then the Committee would recommend that these additional dollars be used by the VA to further improve access to care and enhance specialty care programs, including long-term care.

The Committee's recommended funding level for FY 2010 also includes an additional $200 million to augment the VA account that funds discretionary activities of the Veterans Benefits Administration and the Department's General Administration activities. The Committee recommends providing this increase to safeguard VA claims activities and to assist the Department in beginning its transformation into a 21st Century organization, a goal outlined by the new Administration.

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[1] While the Views and Estimates reflect a consensus effort, the Committee wishes to note that not all Members of the Committee necessarily agree with every aspect of the report. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

FY 2010 VA Discretionary Budget Request
($ in billions)

	FY 2009 Enacted	FY 2010 Independent Budget	FY 2010 President's Request	FY 2010 Committee Recommendation	*Committee vs. Enacted*	*Committee vs. President's Request*
VA Discretionary	$47.6	$54.6* ($51.8)	$52.5	$53.3	*+$5.7*	*+$0.8*
Medical Care Collections	$2.5	$0	$3.4	$2.8	*+$0.3*	*-$0.6*
Total Resources Discretionary (with collections)	$50.1	$54.6	$55.9	$56.1	*+$6.0*	*+$0.2*

* To assist in the analysis of the varying budget proposals, the figure in parentheses ($51.8) represents the Committee's estimate as to collections subtracted from the recommended level in order to better compare realistic appropriations levels.

The Committee is pleased to note that the Administration's budget request marks a sharp departure from Bush Administration budgets in assuming out-year increases for veterans' spending. For FY 2009, the Bush Administration submitted a budget that assumed a net five-year cut of $20 billion. The preliminary budget for FY 2010 assumes a five-year increase of $25 billion over baseline estimates.

When the Administration submits a detailed budget in April, the Committee plans to revisit its recommended funding level, if warranted. The Committee believes that its recommended level of $53.3 billion provides the resources to enable the VA to meet its responsibilities in FY 2010 in all VA accounts, but retains an interest in ensuring that specific accounts are funded at sufficient levels.

The Committee remains committed to working diligently to ensure that VA budgets are sufficient to meet the needs of veterans and are in place at the beginning of the fiscal year. The Committee plans on addressing innovative ideas, such as advanced appropriations and other budgetary reforms, to ensure that veterans get the dollars they need when they need them and the VA is better able to plan and forecast to meet the challenges ahead.

VA Medical Care

VA medical care is considered to be comprised of three accounts: Medical Services, Medical Support and Compliance, and Medical Facilities. These three accounts, and Medical and Prosthetic Research, make up the funding levels for the Veterans Health Administration (VHA).

Including the recommended additional funding, the Committee believes that the proposed FY 2010 budget provides sufficient resources to provide the necessary funding levels for veterans' medical care. When the Committee's estimated collections level is factored in, the Committee believes that VHA accounts should be funded at levels that at least match the Independent Budget request. The Committee expects the VA to provide a robust research budget that does not rely on the ability of VA researchers to obtain other Federal research dollars in order to achieve increases above FY 2009 levels.

Consistent with the Committee's focus on improving health care access for rural veterans, the Committee will work to ensure that the VA's Office of Rural Health is sufficiently funded and staffed at an appropriate level to spearhead and coordinate VA's efforts in this area.

The Committee applauds the Administration's efforts to end the enrollment ban on the enrollment of Priority 8 veterans and supports the VA's stated intent to accomplish this incrementally in order to safeguard current quality and timeliness standards. The Committee also looks forward to working with the Administration to improve mental health care treatment and services, as well as improve homeless programs and enhance outreach efforts. The Committee will also continue its focus on providing health care to returning servicemembers and veterans of past conflicts and look for ways to improve the VA's ability to address specific health care needs of veterans.

Departmental Administration
Veterans Benefits Administration
Information Technology Systems
Office of Inspector General

The General Operating Expenses (GOE) account provides discretionary funding for the Veterans Benefits Administration (VBA) and general administrative functions of the Department, including funding the Office of the Secretary, the Assistant Secretaries, the Office of the General Counsel, and the Board of Veterans Appeals. For FY 2009, GOE received $1.8 billion in appropriated funding.

The Committee recommendation of $53.3 billion includes an additional $200 million for the GOE account. The Committee recommends providing this additional level of funding as it awaits further details regarding the Administration's proposal to shift the funding mechanism for contract examinations for disability compensation eligibility from mandatory to discretionary. The Committee is also looking to the Administration to provide the funding necessary to assist the VA as it begins its transformation into an organization more aligned with the needs of veterans and to beef up its strategic planning capabilities.

The Committee will also work to ensure that the VBA has the funding it needs in the short term to hire and train needed claims processors and to work to implement the reforms the VA's disability compensation system contained in P.L. 110-389, the Veterans Benefits Improvement Act of 2008. Over the long term, the Committee looks forward to working with the Administration and the VA to transform this system and utilize all available technologies and processes to address the claims backlog.

The Committee will look forward to receiving detailed funding information regarding the VA's Information Technology Systems (IT) account. The Committee will work to ensure that the VA has the resources to continue reforming its IT operation and that IT functions as a tool to improve the provision of benefits and services to veterans.

The Committee notes that the National Cemetery Administration received $50 million as part of the American Recovery and Investment Act, P.L. 111-5. The Committee is hopeful that this account will be provided the resources it needs to maintain current services and that additional funding is provided for the National Shrine Initiative.

The Office of Inspector General will be expected to do more in the next fiscal year, and the committee will look to the Administration to provide sufficient funding for this vital operation.

Construction and Grant Programs

For FY 2009, the VA received $1.9 billion for its Construction, Major Projects, Construction, minor Projects, Grants for Construction of State Extended Care Facilities, and Grants for Construction of State Veterans Cemeteries. The Independent Budget has recommended $2.3 billion for these accounts for FY 2010.

The American Recovery and Investment Act of 2009, P.L. 111-5, provided $1.4 billion in funding for the VA, including $150 million for Grants for Construction of State Extended Care Facilities. The VA, for FY 2009, identified $434 million worth of Priority Group 1 projects. These projects have State matching funds in place. The FY 2009 appropriation of $175 million and the $150 million provided in the Recovery Act would still require an additional $109 million to meet the total backlog in Priority Group 1 projects. A Funding level consistent with FY 2009 for this program would provide the $109 million plus provide an additional $66 million for new projects.

The Committee is hopeful that the Administration will request sufficient construction funding consistent with recent appropriations levels. The Committee looks forward to working with the Administration and the VA to better improve the VA's construction process and better enable the VA to provide the infrastructure needed to match current and future needs. The Committee also plans to work with the Administration and the VA to identify ways that VA can reduce energy consumption and costs and improve environmental sustainability.

Section 2 – Mandatory Accounts

On March 10, 2009, Secretary Shinseki testified before the Committee to outline the Administration's request for FY 2010. The Secretary indicated that the VA's mandatory account requirements would necessitate $57 billion, an increase of $9.7 billion, or 21 percent, over FY 2009 levels. The Committee is awaiting further details regarding this increase.

The Committee believes that there are many benefits programs administered by the VA that are in need of modernization, and many that need increases in order to fulfill the original intent of the underlying legislation. The Committee will also look to work with the VA and veterans to consider major overhauls in the manner in which benefits claims are handled to make the claims process a model of fairness and efficiency. Many of these reforms and changes will require additional mandatory expenditures, at least in the short term.

The Committee is cognizant of the need for fiscal restraint and the PAYGO requirements under the Rules of the House of Representatives to offset increases in mandatory spending, and plans on working with other committees, where appropriate, to improve benefits for veterans. The Committee encourages the Committee on the Budget to consider the creation of a reserve fund or other budgetary mechanism that may assist the Committee as it begins the process of examining ways in which to modernize the VA's disability claims system.

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REPUBLICAN STAFF DIRECTOR
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March 13, 2009

Honorable John Spratt
Chairman
Committee on the Budget
207 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, House Rule X, clause 4(f), and Rule 7 of the Rules of the Committee on Veterans' Affairs, I herewith submit to the Committee on the Budget the Views and Estimates of the Republican Members of the Committee on Veterans' Affairs regarding the Administration's fiscal year (FY) 2010 budget request for the Department of Veterans Affairs (VA) with regard to programs and matters within the jurisdiction of the Committee.

The Republican Views and Estimates address the major areas of focus that are critical to fulfilling our nation's commitment to veterans. This document reflects our enduring priorities, which include: providing care to veterans with service-connected disabilities, those with special needs, and the indigent; ensuring a seamless transition from military service to VA; and providing veterans with every opportunity to lead full, healthy lives. As you are aware, the Administration is still developing the details its FY 2010 budget request. The budget summary it provided did not address the funding for any specific VA program or activity. Therefore, please note that in formulating the attached Views and Estimates, Republican Members of the Committee relied on FY 2009 appropriated amounts as a baseline for their recommendations.

We look forward to working with our Committee's Majority Members as well as the Members of the Budget Committee to put forth a budget that will honor and enhance the lives of our nation's veterans, as well as remain fiscally responsible to the American taxpayer.

Sincerely,

Steve Buyer
Ranking Republican Member

Cliff Stearns
Deputy Ranking Republican Member

Jerry Moran
Committee Member

Jeff Miller
Committee Member

Brian P. Bilbray
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Henry E. Brown, Jr.
Ranking Republican Member
Subcommittee on Health

John Boozman
Ranking Republican Member
Subcommittee on Economic Opportunity

Doug Lamborn
Ranking Republican Member
Subcommittee on Disability Assistance & Memorial Affairs

Vern Buchanan
Committee Member

cc: The Honorable Bob Filner, Chairman, House Committee on Veterans' Affairs
The Honorable Paul Ryan, Ranking Member, House Committee on the Budget

COMMITTEE ON VETERANS' AFFAIRS

REPUBLICAN VIEWS AND ESTIMATES FOR FISCAL YEAR 2010

March 13, 2009

OVERVIEW

For veteran's healthcare and program costs in fiscal year (FY) 2010, the Republican Members of the Committee on Veterans' Affairs recommend $1.9 billion above the Administration's request for FY 2010. This represents a $550 million increase in discretionary spending and a $1.36 billion increase in direct spending for veterans' programs.

The Republican Members further recommend out-year funding for veterans discretionary programs as follows: $58.4 billion for FY 2011, $63.6 billion for FY 2012, $68.7 billion for FY 2013, and $72.8 billion for FY 2014, a total increase of $14.6 billion over the Administration's projections. These more realistic estimates would adequately fund VA for the five year period, assuming medical inflation of 2.6% and increased workloads due to the restoration of health care eligibility for many priority 8 veterans, the drawdown in Iraq, and increased demand for VA health care from the economic downturn. We believe the Administration's out-year funding projections would result in serious budget shortfalls for veterans' healthcare.

The Administration's budget submission contains only a request for overall levels of funding for the Department of Veterans Affairs (VA), and a detailed request for FY 2010 will not be submitted to Congress until sometime in April. Consequently, an in-depth analysis of the Administration's budget request is not possible at this time, and these views and estimates may be subject to revision when more information is available from VA. We recommended increases for the specific accounts use FY 2009 appropriated funding levels as a baseline.

Department of Veterans Affairs

Veterans Benefits Administration

Disability Compensation and Pension Service – The Republican Members are deeply concerned about the growing size of the backlog of claims for disability compensation. Despite large increases in staffing at the compensation and pension service (C&P), the backlog of pending claims continues to grow. There must be greater emphasis on training and accountability with new employees. Because rating specialists require an average of two years before becoming fully productive, comprehensive training is crucial. Therefore, the Republican Members recommend an additional $16 million for Training and Performance Support Systems, and an additional $4 million for skills certification for C&P employees as described in P.L. 110-389. The Republican Members also recommend at least an additional $2.5 million to fund 30 additional FTEE for VBA's National Training Academy in Baltimore, Maryland.

The Republican Members recognize that additional direct compensation FTEE alone will not the improve quality, accuracy, consistency, and timeliness in claims processing without

corresponding increases in quality checks and business processing improvement. Therefore, we make the following recommendations to address this issue:

Systematic Technical Accuracy Review (STAR) Reviews – STAR reviews are one of many ways that VBA reviews the quality of their rating decisions. Despite the recent increase in the number of STAR reviews, Republican Members believe that too much emphasis continues to be placed on just quantity rather than on both quality and production. Deciding claims correctly the first time should be the emphasis, even if the initial adjudication period is somewhat longer. We recommend at least additional $8 million to increase the number of STAR reviews and the FTEE that conduct STAR training at regional offices.

Rules Based Paperless Adjudication System - Additional staffing and training will not alone reduce the backlog. VBA plans to enhance its use of information technology to enhance claims processing abilities. They have begun this by funding a paperless claims processing initiative, known as Virtual VA, which will reduce reliance on burdensome paper claims files. Additionally, VBA must utilize rules-based technology to help claims adjudicators make rating decisions in a more accurate and timely manner. To replace the complicated, paper-driven process that is more than twenty-five years old, the Republican Members support such an initiative. This reflects our long-held position favoring increased use of information technology, and we recommend at least an additional $170 million to fund this initiative.

Veterans Choice in Filing Pilot Program – The Republican Members also recommend $5 million for a two-year pilot program in which veterans who live in the jurisdiction of VA regional offices in New York, New York; Newark, New Jersey; Atlanta, Georgia; and Detroit, Michigan would be able to submit disability claims to any VA regional office for adjudication. This pilot program would allow veterans to have their claims adjudicated at a VA regional office with a favorable performance record.

Concurrent Receipt – The Administration's budget request proposes concurrent receipt for veterans who are medically retired and eligible for VA disability compensation. The Republican Members support eligibility for concurrent receipt of disability benefits from VA in addition to Department of Defense retirement benefits.

Economic Security Programs -- The GI Bill and the VA Vocational Rehabilitation and Employment (VR&E) program are designed to ultimately lead to gainful employment and productive lives for those veterans who are able to work. The VA Loan Guaranty program is designed to enable veterans to be a part of the American ideal of home-ownership, and VA insurance programs provide survivors with a measure of financial security. The VA Specially Adapted Housing and Adapted Auto grants provide severely disabled veterans increased mobility in and out of the home and for many severely disabled veterans make it possible for them to continue their working careers.

Increase in Vocational Rehabilitation Stipend - We must improve education and training opportunities for unemployed veterans to provide them with skills relevant to today's job market. We recommend $357 million to allow an increase in the basic VR&E subsistence allowance from $541 to $1,200 per month. H.R. 297, to increase the VR&E subsistence allowance, would authorize such an increase to provide an adequate allowance for veterans and their families during participation in the program.

Re-authorize the VA Small Business Loan Program - Because small business creates the vast majority of jobs, we recommend reauthorization of VA's expired small business loan guaranty program with sufficient resources to guarantee $1 billion in new loans to veteran-owned small businesses. H.R. 294, the Veteran-Owned Small Business Promotion Act of 2009, would authorize an updated small business loan guarantee. We also recommend $400,000 in funding to support an additional 5 FTEE to manage the program, which would be operated under contract in a manner similar to VA's Insurance programs.

Improve SAH Funding - To improve the lives of severely injured veterans, we recommend that the Specially Adapted Housing (SAH) grants be increased to $180,000 and $36,000 respectively and the Adapted Auto grant should be increased to $33,000. H.R. 1169, to improve Specially Adapted Housing, would authorize the increases.

Develop Assistive Technologies - We also recommend sufficient resources for the medical care account to include a grant program that would provide $2 million per year to encourage development of advanced assistive technologies for the SAH program proposed in H.R. 1170, to develop assistive technologies for specially adapted housing.

Economic Opportunity Administration - The Republican Members believe that we should shift management of programs that promote economic security to a separate VA administration. Therefore, we recommend a budget with sufficient resources to create a fourth administration, the Veterans Economic Opportunity Administration, within the VA to manage the education, vocational rehabilitation and employment, loan guaranty, small business and homeless programs. Other than those related to the initial startup, there would not be significant costs to establish the new administration and it would not expand the federal bureaucracy.

National Cemeteries and Related Agencies

Four departments or agencies within in the Federal Government maintain the final resting place of veterans and dependents. These are the VA's National Cemetery Administration (NCA), which has jurisdiction over 125 national cemeteries; the American Battle Monuments Commission, which has jurisdiction over 25 overseas military cemeteries; the Department of the Army, which has jurisdiction over Arlington National Cemetery and the United States Soldiers and Airman's National Cemetery; and the Department of Interior, which has jurisdiction over historic 14 veteran cemeteries. Republican Members are concerned that with four different agencies overseeing these cemeteries, there are four different standards of upkeep and appearance.

To improve the overall upkeep and appearance at all our veterans' final resting places, we recommend a National Shrine Commitment for all veteran cemeteries. The funding from the commitment would be used on infrastructure projects such as irrigation improvements, renovation of historic structures, headstone cleansing, and road resurfacing. We recommend at least an additional $300 million to continue the National Shrine Commitment at NCA. Additionally, we recommend at least $3 million to fund a comprehensive and independent study of the cemeteries under the jurisdiction of other agencies besides NCA. This study would help identify areas that need to be improved to ensure the final resting place of all veterans is maintained in a manner that honors their sacrifices for our country. The Republican Members also recommend that the two open cemeteries under the jurisdiction of the National Parks Service be moved to the jurisdiction of the National Cemetery Administration and recommend at least $4 million for such a move.

NCA Major Construction and Gravesite Expansion –The Republican Members recommend at least an additional $125 million to accelerate NCA's five-year strategic plan to fund gravesite expansion. Republican Members also recommend at least an additional $10 million for land acquisition construction initiative. This program provides the flexibility NCA needs to purchase land for future national cemeteries when it becomes available.

Grants for the Construction of State Cemeteries – The Republican Members also recommend an additional $10 million for grants for the construction of state cemeteries. This program provides funding to states to build national cemeteries and requires that the state then pay all operation and maintenance costs once the cemetery is built. The program continues to have a waiting list and additional funding would provide better access to veterans cemeteries for veterans and their families.

Veterans Health Administration

Medical Services – The Republican Members recommend $35.3 billion for medical services which is $4.3 billion above the enacted FY 2009 amount for this account. This increase accounts for health care inflation, estimated workload, and the following initiatives:

Rural Health Care – We recommend at least a $605 million increase to implement section 403 of Public Law 110-387 which establishes a three-year pilot program in five Veterans Integrated Service Networks (VISNs) for veterans in highly rural areas who elect to receive healthcare from non-VA healthcare providers;

Prosthetic Limb Program Modernization – We recommend at least a $100 million increase to modernize VA's prosthetic limb program, especially to meet the needs of the younger and more active amputees with the latest technology. It is vitally important that VA is capable of providing consistent and coordinated state-of-the art care regardless of where the veteran amputee lives;

Mental Health Initiatives – We recommend at least a $250 million increase to support the progress being made to implement the Mental Health Strategic Plan and hire additional new mental health professionals to ensure all veterans have access to these vital services at all VA medical centers and clinics throughout the system;

Military Vision Centers of Excellence and Eye Trauma Registry – We recommend at least a $9 million increase for VA's participation in the establishment of these joint Department of Defense/VA centers and the eye trauma registry;

Caregiver Assistance – We recommend at least a $25 million increase to expand current programs to support family caregivers and respite services under VA's Home Health Care services;

Home Improvement Structural Alterations (HISA) Grants – We recommend a $5.5 million increase for a pending legislative change that would raise the maximum amount of the grants to $6,800 for service-connected veterans and $2,000 for non-service connected veterans;

Health Professional Educational Assistance Program – We recommend a $25 million increase to provide scholarships to employees pursuing degrees or training in health care disciplines for which recruitment and retention of qualified personnel is difficult. We expect this additional funding to include support for the recruitment and retention of mental health care and other staff in rural settings;

Medical Care Collections Fund – According to the Congressional Research Service and VA budget data, medical care collections have fallen significantly under projections in four of the past five years for an average shortfall of 21%. While there was a 6% improvement for FY 2008, the Republican Members are concerned that VA will fall considerably short of meeting the ambitious 33% increase in collections projected in the Administration's FY 2010 budget request. Therefore, we recommend a $536 million increase in medical services to ensure adequate funding will be available to support quality and timely health care for veterans.

CPAC Collections Program – The Republican Members recommend that the VA compress the five year timeline to three years for initiating seven Consolidated Patient Accounting Centers (CPAC). We appreciate VA Secretary Shinseki's willingness to consider this proposal. We support compressing the implementation timelines and reprioritizing the order of establishing the CPAC regions to three years in order to improve third-party collections and to maximize collections potential. We also

support funding for the facilities, IT equipment, and personnel necessary for the consolidations.

Possible Administration Legislative Proposal – The Republican Members are very concerned about a proposal the Administration is considering to bill third-party insurers of service-connected veterans for the treatment of their disability or injury incurred in the line of duty. We strongly believe that the same military values that guided these servicemembers in service to our country should define how our government provides services and assistance to them now as veterans. The prospect of VA collecting from third-party insurers for care provided for service-connected conditions is contrary to these military values and our obligation as a grateful Nation. In addition, such action could result in higher health care premiums and have the effect of requiring service-connected veterans to pay for their own care. We intend to protect and honor the service of our highest priority veterans with the investment of tax dollars adequate to provide for all service-connected care and we strongly oppose any attempt to allow VA to offset this absolute obligation with collections from private insurers.

Medical Facilities – The Republican Members recommend at least $5.179 billion for medical facilities which is $150 million above the enacted FY 2009 amount for this account.

Energy Initiatives – We recommend at least a $150 million increase to implement planned energy initiatives and establish a long-term strategy for energy conservation and sustainability. This includes selected energy and water conservation measures, conducting renewably fueled electric/steam generation feasibility studies, and installing building level electric meters in medical facilities;

Medical and Prosthetic Research – We place a high premium on conducting research into injuries and illnesses related to military service that improve the medical treatment of veterans. We recommend at least $51 million above the $510 million enacted for this account in FY 2009.

VHA Major Construction Projects – We recommend at least $1 billion, which is $182 million above the FY 2009 level, to move forward with advance planning, completion of partially funded FY 2009 projects and to begin new projects on VA's prioritized list. The recommended amount for the advance planning fund is $178.1 million and includes $36.8 million to carry out section 804 of Public Law 109-461 for the design of a co-located joint-use medical facility in Charleston, South Carolina.

VHA Minor Construction Projects –We recommend at least $691.3 million, which is $66.06 million above the FY 2009 level. The increase includes funding for the installation of solar photovoltaic roof applications at medical facilities in coordination with other energy initiatives.

Office of Information and Technology

The Republican Members believe that a top VA priority should be information technology (IT) systems that are standardized, integrated, secure, function properly, and should be funded sufficiently. We commend VA Secretary Shineski for his support of continuing the consolidation

of the department's IT infrastructure and funding. VA must increase funding to accelerate its migration of Veterans' Health Information System of Technology Architecture (VistA) into VA's new integrated enterprise health care system. The new system needs to incorporate data standards that allow data sharing with other federal departments and agencies and also with private and public sector organizations. More importantly, VA and the Department of Defense (DoD) must be able to exchange critical medical and personnel information on all patients transitioning from DoD to VA. This information exchange must be done securely in real time, bi-directionally, and inter-operably.

All VETSNET application development should be finalized and any further funding should be limited to final code conversion and operations and maintenance. VA should immediately begin to move beyond this 20-year old project to automate compensation and pension claims processing system.

Financial and Logistics Integrated Technology Enterprise (FLITE) is the follow-on to the failed Core-FLS system. It is essential that VA has an enterprise wide system that integrates financial management, asset management, logistics, accounting, purchasing, funds control, real property and inventory management. Funding levels should be sufficient to continue its implementation timelines. This program has been plagued with poor program management and dysfunctional procurements which need to be strengthened.

Virtual VA is a paperless delivery system that was conceptualized and demonstrated in 1999 as a VBA initiative to image all documents related to claims processing and benefits delivery. The serious document shredding incidents in various Regional Offices in 2008 reiterate the importance of electronically capturing all documents at the time of receipt. An additional $170 million has been recommended under the compensation and pension service section.

Office of the Inspector General

For FY 2009, Congress appropriated $72.5 million for the VA Office of the Inspector General (OIG). The OIG is responsible for the audit, investigation, and inspection of all VA programs and operations. Funding from appropriations at $107 million and 537 FTEE provides resources to increase work on several oversight initiatives. These include expansion of the *Consolidated Financial Statement* (CFS) and *Federal Information Security Management Act* (FISMA) audits as well as expansion of OIG oversight in two sensitive and vulnerable VA program areas – health care for returning Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans and VA information technology (IT). OIG has recently begun cyclical inspections of VBA regional offices, all of which are in critical need of OIG oversight. For the 3-year cycle necessary to cover the 57 regional offices, the Republican Members recommend an additional $5 million to resource a second field division of 20 FTEE for this purpose with a special emphasis on claims processing. The total funding for the OIG recommended by the Republican Members is at least $112 million, $39.5 million above the FY 2009 level.

Department of Labor

Veterans Employment and Training Service

In the past, an economic downturn or industrial evolution has displaced significant numbers of mid-career workers, making their skills irrelevant in the labor market. Such is the case today as the U.S. economy weakens and labor demands shift to new or expanding sectors. Therefore, the Republican Members recommend funding the Veterans Workforce Investment Program (VWIP) at a level of at least $20 million. H.R. 295, More Training for Veterans Act of 2009, would authorize this funding. The VWIP program focuses on employment and training services to veterans needing new skill sets.

We also recommend funding a new retraining program managed by VETS at the level of $100 million and an additional $400,000 to support 5 additional FTEE as proposed in H.R. 1168. The program would include relocation assistance to ensure unemployed veterans are able to move to areas where their new job skills are in demand.

The number of homeless veterans has been a persistent national problem and reducing the number of the homeless veterans has been difficult. But there has been modest progress. Increasingly, homeless veteran community includes veterans with dependent children; therefore, we recommend an additional $10 million for HVRP grants to providers who focus on services to homeless veteran families including family-style housing. We will also seek legislation to extend the current HVRP authorization through FY 2014 and urge the Budget Committee to include funding at the full authorized $50 million per year.

Department of Defense

Department of the Army

Improvements at Arlington National Cemetery – While recognizing that Arlington National Cemetery (ANC) is funded through the Department of the Army budget, ANC is a national cemetery over which the Committee on Veterans' Affairs has oversight. In order to ensure that this national shrine continues to have adequate capacity well into the future, the Republican Members recommend at least $60.3 million for gravesite and columbarium expansion and utility improvements at ANC.

-END-

Additional Views and Estimates
Committee on Veterans' Affairs
Fiscal Year 2010

We agree with the Views and Estimates of the Committee on Veterans' Affairs Majority concerning the funding levels and priorities for veterans health and benefits programs and services for fiscal year 2010. We believe that with these recommendations, the President's budget will meet the needs of today's veterans and begin to address many of the more important challenges facing the Department of Veterans Affairs in the future.

However, we believe there is one issue that is not sufficiently addressed, namely the vital need to reform the budget and appropriations process to ensure that veterans health care programs receive sufficient, timely, and predictable funding, not just today, but far into the future. While funding for veterans health care has increased significantly in recent years, we believe it is essential that the Committee remain dedicated to securing both adequate and timely funding for veterans health care.

The services and operations of the Department of Veterans Affairs have continuously been hampered by a lack of predictable funding. In July 25, 2007, testimony to the Senate Committee on Veterans' Affairs detailed the operational difficulties consistently encountered by VA managers and officials due to the uncertainty of funding and resources.[1] For too many years, the VA has had to make do with insufficient budgets resulting in restricted access for many veterans. We remain concerned that late and unpredictable funding for VA medical care programs will delay the provision of care, diminish the quality of service, and result in less efficient use of funds.

The VA requires an assured source of funding in order to meet the demand for services and adequately maintain operational facilities. We conclude that the budget and appropriations processes for VA medical care programs can be significantly improved through advanced appropriations – a mechanism already utilized by the Committee on the Budget for select federal programs. Earlier this year, legislation was introduced, H.R. 1016, the Veterans Health Care Budget Reform and Transparency Act, which would authorize one-year advance appropriations for veterans medical care programs. An advance appropriation would provide the VA with up to a year in which to plan the most efficient and effective means to deliver care to an increasing number of veterans with increasingly complex medical conditions. The legislation would also improve the transparency of VA's budget forecasting process, in order to aid the Committee on the Budget and the Committee on Appropriations in future development of appropriation bills that provide sufficient funding to meet the best estimate of anticipated demand for veterans health care services.

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[1] Joseph M. Manley, VA Medical Center Director (Retired), Funding for VA Healthcare, Senate Committee on Veterans' Affairs, 110th Congress 1st Session, 25 July 2007.
James W. Dudley, Mandated VA Funding, Senate Committee on Veterans' Affairs, 110th Congress 1st Session, 25 July 2007.
Former VA Official's Perspective on VA Health Care Appropriations: Operational Difficulties and Political Demands, Senate Committee on Veterans' Affairs, 110th Congress 1st Session, 25 July 2007.

This legislation has been endorsed by virtually every major veterans and military service organization, including the four co-authors of The Independent Budget, the nine members of The Partnership for Veterans Health Care Budget Reform, and The Military Coalition, comprised of 35 military and veterans organizations. The legislation is also actively supported by the American Federation of Government Employees (AFGE). Advance appropriations have also been endorsed by two dozen former senior VA officials, regional and hospital directors, including former Secretary Anthony Principi, former Deputy Secretary Hershel Gober, and four prior Under Secretaries for Health, stretching back to 1994.

Our recommendation is that the Committee on the Budget work with the Committee on Veterans' Affairs to secure advanced appropriations to ensure that VA budgets are not only sufficient, but are available when needed. We intend to collaborate with our colleagues on the Committee on Veterans' Affairs to consider and report this legislation authorizing advance appropriations, working toward Congressional approval and final enactment this year. We ask the Budget Committee to remove any obstacles in the budget resolution to allow advance appropriations for veterans medical care in FY2011. Specifically, Section 302 of the FY2009 Budget Resolution (S.Con.Res. 70) provided a general point of order against advance appropriations. However, the FY2009 Budget Resolution delineated a specific list of programs not subject to that point of order. We recommend that the budget resolution for FY2010 include language that separately exempts all three VA medical care accounts (Medical Services, Medical Support and Compliance, and Medical Facilities) from any point of order against advance appropriations for FY2011.

Michael H. Michaud

Stephanie Herseth Sandlin

Harry E. Mitchell

John J. Hall

Harry Teague

Timothy J. Walz

JOHN J. HALL
19TH DISTRICT OF NEW YORK

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SUBCOMMITTEES:
VICE CHAIR, AVIATION
WATER RESOURCES AND ENVIRONMENT

VETERANS' AFFAIRS
SUBCOMMITTEES:
CHAIR, DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS
ECONOMIC OPPORTUNITY

SELECT COMMITTEE ON ENERGY INDEPENDENCE AND GLOBAL WARMING

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Additional Views and Estimates
Committee on Veterans' Affairs
Fiscal Year 2010

I write to submit an additional view into the record regarding the House Veterans Affairs Committee's Views and Estimates on the budget for FY 2010. The Committee's funding levels and priorities for veterans' health care display an unparalleled and long overdue commitment to the men and women who served our nation in uniform. However, I write to urge a greater commitment to mental health services, specifically in awarding veterans the compensation owed for the incurrence of Post Traumatic Stress Disorder.

For too long we have heard the harrowing stories of soldiers returning for war, bearing the scars and wounds of battle, only to face an adversarial process in seeking treatment and compensation. This is especially true for soldiers who have Post Traumatic Stress Disorder. In the Iraq and Afghanistan wars alone, over 100,000 veterans have been diagnosed with PTSD. Tragically, however, only 42,000 have been granted service-connected disability for their condition.

This is true for past conflicts as well. The disability claims backlog at the VA tops 800,000, a great majority of which are Vietnam Veterans seeking compensation for PTSD. These facts are a clear indication that current regulations at the VA are too stringent for veterans seeking disability benefits.

Many veterans have lost faith in their government and elected officials because of the hoops they have to jump through at the VA as well as the presumption in current law that they are scamming the system. We must work to restore their trust.

The main prohibitive factor to making the necessary changes is cost, which is why it is imperative that the budget allow for the resources to improve the system. CBO estimates that lowering the burdensome threshold that is currently denying veterans their urgently needed benefits would cost $4.7 billion over 10 years. While this may seem expensive, a RAND study has determined that the cost of untreated PTSD to our nation could total $6.2 billion over two years. In order to prevent this catastrophe, the budget needs to adequately fund the compensation that veterans have earned.

There is consensus among veterans that we need to improve the way PTSD claims are handled; legislation to fix the problem has been endorsed by the American Legion, the VFW, DAV, Military Order of the Purple Heart, IAVA, and other VSOs.

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Addressing this issue in the budget would raise the profile of this need and publicly state to all those who serve their country that their government is indeed living up to its commitment to the men and women who sacrifice life and limb to defend it.

Again, I want to state that the Obama Administration and the House Veterans Affairs Committee have both done a tremendous job in displaying their commitment to veterans. However, I recommend that the Committee on the Budget work with the Committee on Veterans' Affairs to secure the funding to address this urgent and growing need for mental health compensation.

Sincerely,

John Hall
Member of Congress

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

March 11, 2009

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
United States House of Representatives
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344), and in response to your letter of January 30, 2009, this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for the fiscal year 2010 that fall within the Committee's jurisdiction.

Congress will consider this year's budget at a time of significant uncertainty for the economy as a whole, and significant hardship for many regions and individuals across the country. The economy has been in recession for more than a year, following a six year expansion that was the fifth longest on record. The economy has shrunk in recent months, with a longer period of job losses and declining values of both housing and financial assets. The budget deficit has deteriorated dramatically, with the recession leading to both reduced revenues and higher budget outlays.

In addition to the immediate financial and economic disruption, the country continues to face a number of long-term economic and budgetary issues. Examples include: rising health care costs, continuing economic inequality, retirement security is eroding even as an aging population presents new opportunities and challenges, rising concerns about the availability, cost, and environmental impact of energy sources, and projections of growing long-term budget deficits.

Congress and the Administration have responded to some of these concerns with enactment of an economic recovery package that the Committee hopes will help minimize the duration and impact of the recession. The Committee will continue to monitor the state of the economy and its impact on all Americans, the effectiveness of the recovery package, and our current and future fiscal outlook and consider whether further action is necessary. The Committee will work to promote a healthy economy and fiscal responsibility in its consideration and adoption of appropriate legislation.

The Committee intends to take a bipartisan approach in examining these issues and developing legislation. Such an approach would allow the Committee to benefit from hearing and considering diverse viewpoints. Developing a consensus approach, where possible, will also make the Committee's legislative products more likely to become law and more likely to have a lasting impact.

The Committee's priorities include strengthening our health care system, addressing climate change issues, addressing the growing burden of the Alternative Minimum Tax, reviewing tax reform proposals, considering the tax gap, examining retirement security and continuing oversight of Social Security and Medicare, increasing economic opportunity, reauthorizing and improving the Temporary Assistance for Needy Families ("TANF") program, and expanding and shaping international trade to maximize the benefits and minimize the downsides of globalization, while at the same time overseeing expanded programs to assist workers negatively impacted by globalization transition through economic uncertainty to new employment opportunities.

I. Legislative Issues with Budgetary Impact

A. Income Security – The Committee will carefully evaluate the impact of the recession on American households and monitor the effectiveness of programs that fall under its jurisdiction designed to assist those in need. It also will review the implementation of the unemployment insurance benefit changes and other provisions that were included in the recently enacted American Recovery and Reinvestment Act, as well as the implementation of the 2008 Fostering Connections to Success and Increasing Adoptions Act. The Committee recognizes the need to reauthorize TANF and other related programs before the close of FY 2010.

B. Health Reform and Medicare – The Committee will pursue legislation to expand health insurance coverage, improve the quality of care and reduce overall growth in health system costs. The Committee will continue to monitor the Medicare program to ensure it is functioning effectively for beneficiaries, providers and taxpayers well into the future. In particular, the Committee will continue its efforts to oversee the Medicare Advantage program and Part D, to address issues relating to Medicare's physician reimbursement policy and to ensure the adequacy and accuracy of payments to all providers.

The Committee also intends to work with the Government Accountability Office (GAO), the Office of the Inspector General (OIG) and others to investigate and address waste, fraud and abuse in Medicare and other programs under our

jurisdiction. Particular GAO reports that have been called to the Committee's attention involve the Medicare Advantage and Part D programs, as well as the durable medical equipment (DME) industry. The OIG has also repeatedly noted serious concerns about both DME and Part D's vulnerability to fraud and abuse. The Committee intends to follow the work of these agencies and pursue changes in Medicare as warranted.

C. Social Security – The Committee has been closely monitoring the Social Security Administration's (SSA's) plan for reducing its substantial backlog of unprocessed disability claims, including reviewing relevant recommendations by the Government Accountability Office and stakeholders. The agency is generally on track with its multi-year plan to reduce the hearings backlog. However, due to growing claims receipts due to the economic downturn and resource constraints, this progress is at the cost of service delivery declines and increasing backlogs in program integrity activities and other agency workloads. The Committee recommends that SSA be provided with sufficient administrative funding to allow the agency to process increased claims and make significant progress toward reducing the disability claims backlog and the backlog in program integrity activities, while still providing adequate service to the public in other areas.

The Committee will monitor any proposed procedural changes to the disability determination process to ensure that they do not have an adverse impact on due process, program integrity, quality, or efficiency. The Committee will continue to advocate for full compensation of SSA's expenses related to verification of Social Security numbers for non-Social Security programs, and to ensure that this workload does not otherwise undermine Social Security programs. The Committee will conduct oversight of the implementation and effectiveness of SSA's Ticket to Work program and its related work incentives. The Committee intends to carefully monitor SSA's use of additional resources provided for modernizing information systems, equipment and facilities. The Committee also will oversee and review the importance of Social Security for American workers and their families, the essential role it plays in ensuring economic security, and how best to manage the challenges and opportunities presented by an aging society. Finally, the Committee will continue to monitor the general operation of the agency, including reports made by its Inspector General, to prevent waste, fraud and abuse.

D. Tax - The Committee will consider issues such as the growing burden of the Alternative Minimum Tax in a broad context, proposals to address climate change, the tax gap and Internal Revenue Service (IRS) administration of the tax

laws, transportation financing, and retirement security. The Committee will examine the effects of the current tax structure on the economy in terms of both individual and corporate taxpayers, and continue its efforts to examine possible reforms. The Committee's Oversight Subcommittee will continue its activities to monitor IRS operations, including enforcement, collection, taxpayer services, returns processing, information systems, and programs to assist taxpayers experiencing economic difficulties.

E. Trade – The Committee supports expanding and shaping international trade to create equitable, broad-based growth for all Americans, and to raise living standards both here and abroad. The Committee will focus on eliminating foreign trade barriers and unfair trade practices that affect U.S. producers and service providers, including by supporting meaningful trade agreements and eliminating foreign trade barriers through use of U.S. law. The Committee will consider the trade aspects of domestic climate change proposals, including concerns about carbon leakage and the international competitiveness of affected U.S. industries and workers. The Committee will seek to assist those whose circumstances are negatively affected by international trade by extending and overseeing implementation of the recently expanded trade adjustment assistance programs for workers, farmers, firms and communities. The Committee will continue its oversight responsibilities with respect to the World Trade Organization negotiations, accessions and disputes and bilateral and regional free trade agreements. The Committee will continue to oversee the budget and activities of the trade-related agencies, review the operation of the advisory committees established under the Trade Act of 1974, and explore ways to improve the efficacy of U.S. preference programs.

While it will be difficult for the Committee to find offsets within its jurisdiction, the Committee intends to finance legislation in the above areas, in compliance with the House's paygo rule.

II. The Fiscal Year 2010 Budget

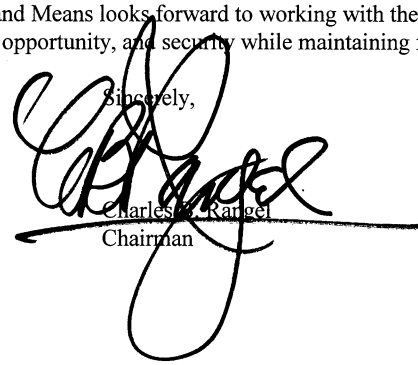
The Committee is reviewing the President's Fiscal Year 2010 Budget, which assumes the deficit will increase dramatically in the current year (FY2009) as a result of the recession and financial crisis, and then decline for the next four years. However, it would remain above the 2008 level through the next decade (although falling below that level from 2013 onwards when measured as a share of the economy). The budget proposes significant changes in a number of areas within the Committee's jurisdiction. Over the course of the year, the Committee will continue to examine and consider the proposals and assumptions in the President's budget.

III. The Public Debt Limit.

The current statutory public debt limit is $12.104 trillion. Current budget projections from the Office of Management and Budget indicate that the debt will reach that limit in Fiscal Year 2009. The level of public debt and precise time at which the statutory limit will be reached will depend on the level of incoming federal receipts, the outlay rates of both discretionary and mandatory spending, the timing and scale of any additional steps to stabilize the financial system, and the cost of any new legislation that is enacted. The Committee notes that it has been the practice of the House to pass a resolution raising the debt ceiling to the level necessary to accommodate the assumptions of the budget resolution for its first fiscal year. The Committee will continue to monitor the level of outstanding debt, and will take any necessary action to ensure the consistent financing of government operations.

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security while maintaining fiscal prudence.

Sincerely,



Charles B. Rangel
Chairman

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

March 13, 2009

The Honorable John M. Spratt Jr.
Chairman
House Committee on the Budget
Room 207 Cannon House Office Building
Washington, DC 20515

The Honorable Paul Ryan
Ranking Member
House Committee on the Budget
Room B-71 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt and Ranking Member Ryan:

Earlier this week, the Committee on Ways and Means approved a Views and Estimates letter as required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344). The Republican Members of the Ways and Means Committee are transmitting this Views and Estimates letter to provide you with additional perspectives on those aspects of the Federal budget for Fiscal Year 2010 that fall within the Committee's jurisdiction.

After several years of consistent economic expansion following a recession in 2001, the economy contracted last year, as real growth fell by an annual rate of 3.8 percent during the fourth quarter of 2008. After more than four years of continuous job creation, the economy shed a substantial number of jobs, including over a million in the first two months of this year, and the unemployment level rose again dramatically last month. Current forecasts indicate that the economy will continue to contract and that job losses and the unemployment rate will continue to increase for some time.

Tax receipts fell in 2008 while spending by the Federal government increased by 24 percent, leading to a record deficit for fiscal year 2008. The Federal deficit continues to grow and the President's budget outline forecasts unprecedented increases in the deficit and debt both in nominal terms and as a share of GDP. The short-term increase in the deficit caused by the current economic slide, however, does not justify a budget that will increase the debt by more than 100 percent over the next ten years.

Even before this economic downturn, nonpartisan estimators were projecting rising and sustained budget deficits in the long term as a result of rapidly growing spending, especially for Social Security, Medicare, and Medicaid. The Committee should examine and act on legislation to address the long-term impact of entitlement spending growth on the Federal budget. The budget also should reflect proposals to encourage business expansion as well as other policies to promote job growth and economic stability, including policies such as tax reform and trade expansion.

To help stimulate the economy, we have recommended reducing the lowest two income tax rates, which would benefit more than 100 million working households. We believe marginal tax rate cuts, through their stimulative impact on both the demand and supply sides of the economy, are the best fiscal mechanism to increase employment, investment, and GDP. To ensure the return of American prosperity and the continued long-term strength of the economy, Congress should permanently extend the growth-promoting tax cuts enacted over the past eight years, particularly the reduction in marginal rates passed in 2001 and the reduced rates of tax on dividends and long-term capital gains passed in 2003.

In lieu of a continuation of these tax cuts, the Majority approved a stimulus package that was overwhelmingly tilted toward increased government spending. Analysis by the Congressional Budget Office (CBO) has shown that much of this increased government spending will not spur any increased economic activity until 2011 or later. CBO has also found that the stimulus will actually detract from economic growth beginning in 2015. Proposals to increase taxes, such as those contained in the President's budget outline, would exacerbate the current economic crisis and hobble or prevent a recovery. Indeed, the President's chief economic advisor, Dr. Christina Romer, Chair of the Council of Economic Advisors, has found that "tax increases are highly contractionary." Dr. Romer also found that the negative impact of tax increases stem "in considerable part from a powerful negative effect of tax increases on investment."

Republican Members are also concerned about the President's proposal to increase energy taxes for all Americans. According to numerous analyses, including those by the Environmental Protection Agency and the Energy Information Agency, the large energy tax increases imposed under the rubric of a "cap and tax" (i.e., cap and trade) scheme would have substantial negative consequences across all sectors of the economy.

On all of these issues, we hope the Committee will take a bipartisan approach, because the Committee – and the country – benefits greatly when all Committee Members' voices are heard. We strongly believe that a consensus approach to developing and passing legislation will improve the chances that bills reported from our Committee will become law and have a lasting, beneficial impact on America.

Legislative Issues with Budgetary Impact

Tax

As mentioned above, the Committee's tax priorities should address the current economic slowdown and identify ongoing risks to America's long-term economic vitality, including proposals to raise hundreds of billions dollars in taxes through so-called "cap and trade" schemes. Additionally, we must not lose sight of the growing burden of the Alternative Minimum Tax (AMT), the importance of helping uninsured Americans gain access to affordable health insurance, and the need to ensure that American companies remain competitive in the increasingly global marketplace and can continue to support good, high-paying jobs here at home.

The Committee should also review issues and options related to tax reform and simplification in order to create a less burdensome tax system that promotes economic growth.

Republican Members of the Committee believe that all taxpayers should pay their fair share. The "tax gap," which measures the difference between taxes owed and taxes paid, concerns us all. When considering legislation to close the tax gap, however, we urge that consideration be given not only to the increased tax revenue that may be collected, but also to the costs, administrative burdens, and potential infringements of taxpayer rights that some proposals to close the tax gap could impose on taxpayers who are already fully compliant with the tax code.

Trade

The Republican Members of the Committee support the expansion of trade opportunities, adherence to trade agreements and rules by our trading partners, and the elimination of foreign trade barriers to our goods and services. The Committee should continue its oversight responsibilities with respect to the World Trade Organization negotiations, accessions, and disputes, as well as new bilateral and regional free trade agreements (FTAs), because opening foreign markets through multilateral and bilateral agreements will create broad-based growth for the United States and jobs for its citizens. The Committee should consider legislation to implement FTAs signed by the President and submitted to Congress. The Republican Members of the Committee also believe that negotiating authority and implementation procedures under TPA should be renewed.

The Committee should continue to be active in overseeing the budgets and activities of agencies within its jurisdiction as well as the operation of trade preference programs. The Committee should continue to address the concerns of those who have been negatively affected by globalization by overseeing the operation of the newly expanded and improved Trade Adjustment Assistance program. The Committee should also carefully analyze the many trade and competitiveness ramifications of any climate change legislation. Finally, the Committee should consider legislation, as it has in past years, suspending duties temporarily on products not made in the United States to make U.S. companies more competitive.

Income Security and Family Support

We support continuing Federal assistance to those in need during times of economic insecurity. However, we are concerned about efforts in the President's budget and the recently enacted stimulus bill to unilaterally change benefits funded by the Federal government through programs within the Subcommittee's jurisdiction without full consideration by the Committee.

In addition, to ensure program integrity, special attention should be paid to options for reducing fraud and abuse in benefit programs. Oversight of implementation of the Deficit Reduction Act of 2005 (P.L. 109-171) is important, as is careful review of proposals to alter that law. Additional oversight of programs within the jurisdiction of the Subcommittee is needed, including careful review of policies proposed in the President's budget.

Social Security

The Republican Members of the Committee join the President in his commitment to address the growing costs in Social Security, including his hosting of the fiscal responsibility summit and the break-out session devoted to Social Security. Yet the President's budget

proposed no significant steps towards achieving this goal. The Committee should promptly begin a dialogue to examine options to secure the future of Social Security and determine a bipartisan way forward so that legislation may be signed by the President as soon as possible. The longer we delay, the more severe Social Security's program adjustments will have to be and the more severe the burden will be on future generations and on our nation's economy.

Taxpayers pay for and rely on the services provided by the Social Security Administration and must be assured, through Committee oversight, that the agency is preventing program waste, fraud, and abuse. These prevention efforts include ensuring only those who continue to be disabled remain on the disability rolls and protecting Social Security numbers from misuse.

Committee oversight must also assure taxpayers that the agency is operating its programs efficiently and accurately through a strong network of field offices, call centers, and Internet services and that the agency's plans to upgrade and modernize its information technology infrastructure and systems architecture are sound. In addition, the Committee should continue its focus on strengthening Social Security's disability programs, including addressing its fiscal, return to work, service delivery and program integrity challenges. Other important priorities include examining the impact of immigration on benefits and the agency's role in work site enforcement.

Health

Republican Members of the Committee believe that immediate steps need to be taken to protect the Medicare program from bankruptcy. Program costs are rising at an alarming rate (spending will nearly double in 10 years) and Medicare's Hospital Insurance (HI) Trust Fund will pay more in benefits this year than it will collect through the payroll tax.

As this imbalance could leave the HI Trust Fund bankrupt as early as 2016, steps must be taken promptly to ensure that the Medicare program remains a viable health insurance program for generations of seniors and disabled Americans for years to come.

To this end, Congress must weed out the waste, fraud, and abuse that is disturbingly common in the program. The Government Accountability Office warns that Medicare is at a "high risk" for fraud and the Chief Counsel at the HHS Office of Inspector General recently stated that Medicare fraud is safer and more lucrative than dealing drugs.

Legislation passed last year which temporarily staved off a reduction in Medicare payments for services provided by doctors has left those same providers facing an estimated 21% cut in the reimbursement rates in 2010. We hope that rather than enacting another short-term patch, the Congress this year examines comprehensive physician payment reform.

The Fiscal Year 2010 Budget

The Committee will be reviewing the President's Fiscal Year 2010 Budget. The budget proposes significant changes in a number of areas within the Committee's jurisdiction. Over the course of the year, the Committee will continue to examine and consider the proposals and assumptions in the President's budget along with options presented by Members of the Committee to ensure the well-being of all Americans.

The Republican Members of the Committee believe the Budget Resolution should assume that tax provisions due to expire in 2010 will be extended along with the AMT patch. Allowing these tax cuts to expire would increase tax burdens for more than 100 million taxpayers in all income tax brackets and discourage economic growth. These taxpayers include families with children, small businesses and sole proprietors, retirees living on fixed incomes, and family farmers and small business owners that want to pass their life's work on to their children.

Moreover, we believe the Budget Resolution should reject several troubling tax increases outlined by the President, including changes that could:

- raise taxes on millions of Americans including job-creating small businesses;
- impose massive price increases on energy through "cap and tax";
- discourage charitable giving;
- hinder the ability of American companies to compete abroad; and
- discourage domestic production of fossil fuels.

The Public Debt Limit

The current statutory public debt limit is $12.104 trillion. Current budget projections from both the Office of Management and Budget and the Congressional Budget Office indicate that the debt will reach that limit during Fiscal Year 2009. The level of public debt and precise time at which the statutory limit will be reached will depend on the level of incoming federal receipts, the outlay rates of both discretionary and mandatory spending, and the cost of any new legislation that is enacted. The Committee notes that it has been the practice of the House to pass a resolution raising the debt ceiling to the level necessary to accommodate the assumptions of the budget resolution for its first fiscal year. The Committee should continue to monitor the level of outstanding debt, and should take any necessary action to ensure the consistent financing of government operations.

The Republican Members of the Committee on Ways and Means look forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security along with fiscal prudence.

Sincerely,

Jim Ramstad

Wally Herger

Sam Johnson

Kevin Brady

John Linder

Devin Nunes

cc: The Honorable Charles Rangel, Chairman, Committee on Ways and Means

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