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THE PRESIDENT'S FISCAL YEAR 2007 DISCRETIONARY BUDGET PERFORMANCE

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 16, 2006

Serial No. 109–15

Printed for the use of the Committee on the Budget

Available on the Internet: http://www.access.gpo.gov/congress/house/house04.html

U.S. GOVERNMENT PRINTING OFFICE

26–127 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
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THE PRESIDENT'S FISCAL YEAR 2007 DISCRETIONARY BUDGET PERFORMANCE

THURSDAY, FEBRUARY 16, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 10:50 a.m., in room 210, Cannon House Office Building, Hon. Jim Nussle (chairman of the committee) presiding.

Members present: Representatives Nussle, Ryun, Crenshaw, Hulshof, Garrett, Barrett, Diaz-Balart, Hensarling, Sessions, Bradley, McHenry, Mack, Conaway, Chocola, Spratt, Moore, Baird, Cooper, and Cuellar.

Chairman NUSSLE. Committee on the Budget will come to order. This is a hearing on the President's fiscal year 2007 discretionary budget.

Yesterday we had a hearing with regard to some of the mandatory accounts, and today we would like to talk about the performance evaluation and spending trends that we have.

We have before us once again Clay Johnson, who is the Deputy Director for Office of Management and Budget (OMB)—we appreciate his leadership; he has been before our committee before—as our first panel.

Our second panel will include witnesses Brian Riedl from the Federal Budget Affairs for the Heritage Foundation and Robert Greenstein from the Center on Budget and Policy Priorities.

I apologize for the tardiness for which this hearing is starting. I have a statement that I will put in the record. Let me just summarize by saying that we certainly understand—and yesterday was again another hearing in a long line of hearings where we recognize that only about a third of the budget is made up the discretionary accounts.

I will say, however, that those discretionary accounts tend to be the ones, the kinds of things that we see on television. We will argue today about $870 billion and how the President's budget carves that up from one way or another.

But I will tell you that eight straight nights of watching rotting trailers on a runway in Hope, AR, is to my constituents much more relevant than whether or not we are putting a percent increase in this line item or a couple percent decrease in another line item.

It seems that we are getting to a point with some of these challenges where we have simply thrown money at issues and they have not either been spent wisely or it appears as the sensationalism of the news sometimes reports, that they rot on a runway

in Hope, AR. This can seemingly take over the sometimes good work that is done, particularly in your office as you look top to bottom, many of these programs for their results and their effectiveness.

And so I understand that discretionary, while it is only a third of the budget, still has a huge impact on our constituents and on the bottom line in defense and homeland security and very important domestic accounts, and this is what we want to talk about today.

I will put my statement in the record, and I will ask unanimous consent that all members be allowed to put statements in the record at this point. And I will turn to Mr. Spratt for any comments he would like to make.

[The prepared statement of Jim Nussle follows:]

PREPARED STATEMENT OF HON. JIM NUSSLE, CHAIRMAN, HOUSE COMMITTEE ON THE BUDGET

Good morning, and welcome, everyone.

Over the past few years, it's become more and more common to hear budget "experts" argue that since our annually appropriated or "discretionary" spending isn't the biggest budgetary problem we have the extent to which we control this spending is relatively insignificant in the big scheme of things. The real problem, they say, is mandatory, entitlement spending which we discussed here yesterday.

But that line of reasoning is only partly correct. It's true that mandatory spending takes up over half our total budget, is growing at unsustainable rates, and will eventually swamp the rest of the budget if we don't get a handle on it.

But that doesn't make discretionary spending insignificant. Since 2000, including emergency spending, the discretionary portion of Federal spending has grown about 11% per year. Excluding emergency spending, non-security accounts which we held to a near-freeze last year have grown about 3.9% per year in the last 5 years markedly more than inflation.

In the coming year, our discretionary spending will exceed $900 billion. So while it may not be at the level of our mandatory spending, that is still an enormous amount of money by what I hope would be anyone's standards. And we cannot control the budget if we don't control both the mandatory and the discretionary sides of the ledger.

So that's what we're here to discuss today.

As I mentioned yesterday, our priorities have shifted considerably in the past several years, and much of the effect has fallen on discretionary accounts. The terrorist attacks of 9-11 and ensuing war on terror and necessary build up of our homeland security also fundamentally changed the way we think and talk about discretionary spending. Today, we separate our discussions of this spending into three categories: 1) Department of Defense military discretionary spending, 2) homeland security discretionary spending; and 3) "non-defense, non-security discretionary spending," which we use to refer to everything else education, science, agriculture, the environment, etc.

We've also seen a substantial upswing in our "emergency" spending in recent years for the war on terror, and most recently for the costs resulting from Hurricane Katrina on which we spent about $65 billion outside and obviously in addition to the discretionary spending that was planned for in the budget.

So even getting a accurate picture of our discretionary spending needs isn't a simple thing to do let alone trying to determine how to best "control" this spending.

Today, we're glad to welcome our witnesses: Mr. Clay Johnson, Deputy Director for Management of the Administration's Office of Management and Budget; Mr. Brian Riedl, Fellow in Budgetary Affairs with the Heritage Foundation; and Mr. Robert Greenstein, Executive Director of the Center on Budget and Policy Priorities.

One of the important efforts the administration has been making since 2001 has been to evaluate government programs to help determine whether they're truly effective or useful. Deputy Director Johnson will discuss this process, and how it is applied to help make decisions about the allocation of limited resources.

Nevertheless, we've got to remember that choosing priorities is a matter of judgment, and we have an obligation to make those kinds of choices.

So for that reason, I hope Mr. Riedl and Mr. Greenstein, on our second panel, will discuss in part the kinds of considerations that should go into these judgments. The

two of them represent differing philosophical views, and I believe the exchange will provide some valuable input.

I welcome all of you today, and look forward to receiving your testimony.

With that, I'll turn it over to Mr. Spratt for any opening comments he might have, and then we'll hear from our witnesses.

Mr. SPRATT. Thank you, Mr. Chairman.

And quickly, first of all, let me also welcome Mr. Johnson back again. Thank you very much. What you are doing is very important.

For the record, I would like to note that this is bipartisan. We want government to do more for less cost. And this emphasis was renewed by President Clinton, among others, when he signed into law the Government Performance and Results Act and then instituted the National Performance Review.

For the first time under that act, every agency is required to set clear goals for each program it administers and to establish standards for measuring success. So it began some time ago and it is an ongoing quest because—and it always will be if you are in earnest about doing this—no question about it.

This is no reflection on Mr. Johnson, but we have some major cuts in the discretionary spending, some specified, others unspecified, but clearly in the danger path as they clamp down on discretionary spending and continues over the next 5 years.

We should have, as we have had in the past, I think, witnesses from HHS to defend the requests there. It is a $35 billion hit on Medicare, and a $17 billion decrease in Medicaid, we should have the Secretary of HHS. We should also have the Secretary of Treasury, as we normally do. It would be good if we could have the Chairman of the Fed, Mr. Bernanke.

We have had before the Deputy Security of Defense, and Secretary of State Colin Powell came over here. This year, we are not doing that. We have got a panel of witnesses who are outside experts, and they are all helpful. Glad to have Mr. Johnson, and he will be helpful, I am sure.

But I think we need to give more scrutiny to the budget than we are giving with the witnesses that we are calling in the hearings that we are holding on a budget that could have serious consequences out in time.

This administration has created two that OMB uses to separately assess the performance of programs called the Program Assessment Rating Tool (PART). The President's budget sometimes uses PART, scores his justification for cutting a program and sometimes it does not. It ignores the PART results.

In fact, there are many programs that had pluses, positive PART ratings that the President eliminates altogether in his budget. For instance, the National Nuclear Securities and Global Initiatives for Proliferation Prevention. I know something about that program, and I can tell you it is very, very effective.

And if you want to determine whether or not it is important, look at what ground of agreement the President, Mr. Bush, and Senator Kerry found in their presidential debates. When they were asked what do you regard as the single-most significant threat to the security of the United States today, both answered terrorists armed with nuclear weapons.

And the single-best answer we have to that threat is our constellation of nuclear non-proliferation programs. And this is one of the most important because it keeps busy gainfully employed in other pursuits the enormous infrastructure of scientists who otherwise can go sell their talents to Pakistan, to North Korea, to Iran, and to places like that. That is exactly what this program is doing, and we are seeing the consequences right now in places like Iran and we are cutting it out.

So, I have to wonder if this PART analysis, this PART assessment, if it produces a result, is geared up to adequately deal with what is good and what is bad, what is needed and what is not.

So, we would like to explore that with you after you have made your testimony in further question. We do appreciate your coming. We do regard what you are doing as important, and we would like to understand it much better.

We are very concerned, very concerned, with the hits on what we regard as very, very effective programs, notwithstanding what the PART assessment may be, and we would like to discuss that with you.

Thank you again for coming.

Chairman NUSSLE. All statements will be placed in the record at this point.

Director Johnson, welcome back to the Budget Committee, and we are pleased to also include your full testimony in the record. And you may summarize as you see fit. Thank you.

Mr. JOHNSON. Mr. Chairman, Ranking Member Spratt, members of the Committee, thank you very much for having me back.

Briefly let me say that we—to state the obvious—that the Federal Government spends a lot of money. We spend it on weapon systems. We spend it on cures for diseases. We spend it on improving the education of our young people. We spend it to reduce crime rates. We spend a lot of money and we need to spend it well. We are not as good as we need to be and can be.

Americans deserve to have us spend their money well and they deserve to have us spend their money better every year. Every President, every Member of Congress, every Federal employee should be held accountable—and I know you all would agree with this—should be held accountable for getting results with the money we spend. We are not as results oriented today as we can and should be.

The two key messages in what I have just said apply to budgeteers, appropriators, Members of Congress, members of the executive branch. We have to get better at focusing on results. We have to get better at being accountable for how we spend the taxpayers' money.

The President's management agenda (PMA), which is the thing that I am primarily involved in spearheading in the Federal Government, is designed to help us do that. It is designed to help us equip Federal agencies with financial management, people management, cost management, and program management tools that if they are so inclined to increase the results of their program, they will have the tools and the discipline to do that.

A big part of the PMA is the transparency and the candor and the specificity about what each program is supposed to do. Often-

times it is not clear what each program is supposed to do, and if it is clear, it is oftentimes difficult for them to demonstrate that they are, in fact, doing what they are supposed to do.

The PART primarily is an attempt to, for every program, create clear performance goals, and clear cost goals which they then can be held accountable for achieving or exceeding. It is also a process by which they identify for all the world to see what they are doing to drive performance. This is important whether you are a budgeteer, appropriator, member of the executive branch, or member of the public.

It is important that we focus in our budgeting and in everything else we do, we focus on what it is we are trying to accomplish more so than the amount of money we are spending.

If you say, well, I like to teach illiterate adults how to read, I like it $500 million worth, and someone else says, well, I like it $600 million worth, the $600 million person does not necessarily care more about adult literacy than the $500 million person. The person that says how many people are we teaching to read and at what cost per person and what are we doing to find more effective ways of teaching illiterate adults how to read, that is the person, I would suggest, that cares most about adult literacy.

What I encourage your Committee to do as you consider the 2007 budget going forward is to focus on outcomes as opposed to the dollars being spent. Focus on what we hope to get for the money that we are spending.

I also encourage you all to make us tell you what we are going to deliver for the money that we propose spending—be demanding. Demand the executive branch demonstrate results from every program and every agency. We are saying, for this amount of money, here is what we are going to deliver and hold us accountable. You and the authorizers hold us accountable for actually delivering that as you consider the following year's budget. How programs work, how the executive branch currently spends the money should be a significant factor in determining what the going-forward budget ought to be.

The last time we were here, sir, we talked about a Web site we were developing where we were going to try to significantly increase the transparency of what works and what does not, and in every case, what we are doing to make every program work better.

We have launched a week ago, 2 weeks ago that Web site. And if I can take just 2 minutes, 3 minutes to show you that. The Web site is called *expectmore.gov*. It allows taxpayers to review the assessments of nearly 800 programs. As it says, we want you to know how we are doing, where we are doing well, where we are not doing so well, and, in every case, what we are doing to get better.

This site shows programs that account for about 80 percent of the budget. The remaining 20 percent of the budget will be added to this group this year, the end of this year.

Want to go to the next page. Each program is categorized. You can search by rating, whether it is effective, adequate, or ineffective, as well as by topic or by using a simple key word search. You can go to all categories even with the same subject or all the ineffective programs.

We have chosen the category of programs marked effective and specifically Health Centers Program. This gives you an idea of—for each of these programs, it describes a little bit about what the program does. It describes why we think it is working the way it is or is not working the way it is. And it explains down at the bottom what the program management is doing to improve program performance.

At the bottom are links to more detailed information, budgetary information, more detailed information about the performance over the last several years for those that want to dig a little deeper. There is lots of transparency, lots of candor, lots of check and balance, a lot of quality control.

The belief is, our belief is that with transparency, you have the opportunity for accountability. If you have transparency about how we are doing, what we are doing well, what we are not doing well, and you have people in agencies with tools to cause program performance to improve, you have the opportunity to hold that program manager accountable. And only when you are able to hold him accountable do you have the opportunity to deliver a specific goal at a preferred cost every year and improve that performance every year.

Thank you very much for having me back, and I welcome your questions.

[The prepared statement of Clay Johnson follows:]

PREPARED STATEMENT OF HON. CLAY JOHNSON III, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

EXPECT MORE

The President's 2006 budget set several major goals. The President proposed to hold growth in overall discretionary spending below the rate of inflation. He proposed an actual cut in the non-security portion of discretionary spending, the first such proposal since the Reagan administration. And he proposed major reductions or eliminations in 154 government programs that were not getting results or not fulfilling essential priorities. The Congress substantially delivered on those goals.

The 2007 budget follows a similar course. It again holds overall discretionary spending growth below the rate of inflation. It again proposes an actual cut in non-security discretionary spending. It also calls for major reductions in, or total eliminations of 141 Federal programs, saving nearly $15 billion.

Reductions in these areas do not mean Americans should expect less from Federal agencies or programs. On the contrary, they should expect the government to give them more for their tax dollars. They should expect the government to become more effective and efficient each year.

HOW WE ARE GETTING MORE FOR OUR MONEY

With the help of the President's Management Agenda, Federal employees are doing more to improve the way we spend the taxpayers' money. We want to and can be held accountable for:

- Significantly, quantifiably and annually improving the way the government works.
- Being very candid and forthcoming at all times about where we're successful and where we fall short, and in both situations, what we're doing to improve performance.
- Providing better levels of service, comparable to the private sector.
- Properly accounting for where we spend the taxpayers' money.

As part of the President's Management Agenda, Federal employees have already eliminated $7.8 billion in improper payments in Fiscal Year 2005, reducing the government-wide improper payment total by 17 percent. Agencies the past 3 years conducted competitive sourcing studies of their commercial activities that, upon implementation will produce savings of $900 million per year. Agencies have completed an exhaustive inventory of real property assets and anticipate disposing of $9 billion

in unneeded assets by 2009. Almost 800 programs are implementing plans to improve their performance and have made them public so as to increase the level of their accountability for the results.

Common among these initiatives was a clear definition of success, an aggressive plan for improvement, unambiguous accountability; and then because leadership deemed success important, everyone involved was held responsible for doing what they said they were going to do. We were transparent about what we were trying to do and how we were performing relative to our goals. This transparency and candor produced strong accountability, which in turn, has produced results.

PROGRAM ASSESSMENTS AND THE FEDERAL BUDGET

This year, the Administration assessed an additional 20 percent of the government's programs, marking the fourth year in our effort to find out what works, what doesn't, and what we need to do to improve. Program assessments are a factor in budgeting, but they are one among many factors. No budget decision is made automatically based on a program's rating. It may be that a highly rated program is not a priority for this Administration; therefore the President may propose to decrease funding for the program. A poorly rated program may need additional funds to address a weakness uncovered in the assessment. If we believe a program has been demonstrated to be ineffective and can't be fixed, or has outlived its usefulness, the Administration may recommend Congress spend the money on higher priority programs. The attached table shows the funding recommendation by program rating and by program.

THE FEDERAL GOVERNMENT WANTS TO BE HELD ACCOUNTABLE

Americans deserve to have the government spend their hard earned tax dollars effectively, and better every year. The President, every Member of Congress and all Federal employees need to be held accountable for getting results with the money they spend. A new OMB Web site, ExpectMore.gov, promotes accountability by posting candid information about programs that are successful and programs that fall short, and in both cases, what the government is doing to improve performance next year.

Currently, the ratings on ExpectMore.gov show that more than 70 percent of Federal programs are performing. A program which enhances highway safety provides a clear example of a program that demonstrates improved results. To reduce fatalities from automobile accidents, the National Highway Traffic Safety Administration promoted greater seat belt use among high-risk groups such as younger drivers, rural populations, pick-up truck occupants, 8-15 year-old passengers, occasional safety belt users, and motor vehicle occupants in states with secondary safety belt use laws. As a result, nationwide seat belt use increased from 73 percent in 2001 to 82 percent in 2005, an all-time high.

However, almost 30 percent of all programs are either ineffective or cannot demonstrate their success. A youth employment program created under the Workforce Investment Act demonstrates the need for improvement. The program awards grants for America's neediest youth to successfully transition to the workplace. The program is currently rated as ineffective. It does not provide services in a cost-effective manner and does not have authority to target or reallocate resources to areas of greatest need. To remedy this problem, the Administration is working with Congress to gain increased authority to reallocate resources to areas of need. The Administration has also proposed legislation to consolidate this program with other Department of Labor job training grants. This will reduce overhead, ensure that more funds go directly to participants, and give States the flexibility to design processes that best serve their citizens.

We hope that the transparency provided by ExpectMore.gov will make us even more accountable to the American people. By making program performance information readily available, we hope that Congressional and public attention can provide additional motivation and means for programs to improve their performance. ExpectMore.gov is not targeted to Democrats or Republicans, liberals or conservatives. Its audience is all Americans.

The message is simply that we want our citizens to expect more from their Federal Government, and we want to be held accountable for how programs perform and how aggressively they improve. Of course, we do.

OUR FUTURE COMMITMENTS

With the structure and discipline of the President's Management Agenda, Federal employees are committed, by 2015, to:

- Improving annual program efficiency by $30 billion;

- Reducing annual improper payments by $50 billion;
- Reducing annual commercial activity costs by $6+ billion; and
- Disposing of $15B of unneeded Federal real property assets.

The American people can and should expect the executive branch and Congress to make these commitments a reality.

PART RATINGS AND PROGRAM FUNDING LEVELS SUMMARY

(Dollars in millions)

	2006 Enacted	2007 Budget	Change from 2006	
			Dollars	Percent
Effective (124)	231,853	231,968	115	0.0%
Moderately Effective (231)	433,843	443,435	9,592	2.2%
Adequate (219)	335,470	334,744	−726	−0.2%
Ineffective (28)	16,930	14,105	−2,825	−16.7%
Results Not Demonstrated (191)	139,147	135,991	−3,156	−2.3%

*The Medicare program is excluded in the Moderately Effective category calculation above. When it is included in the calculations, the percentage change in funding is 6.7%.

PART RATINGS AND PROGRAM FUNDING LEVELS EFFECTIVE PROGRAMS

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
1	Engineering and Technical Services for International Broadcasting	BBG	138	133	−5	−3.6%
2	Inspector General Oversight of Federal Health Benefits Program	OPM	11	15	4	36.4%
3	Smithsonian Institution Facilities Capital	Smithsonian	99	114	15	15.2%
4	Capital Security Construction Program	State	1,000	1,165	165	16.5%
5	Educational and Cultural Exchange Programs in Near East Asia and South Asia	State	177	194	17	9.6%
6	Global Educational and Cultural Exchanges	State	426	474	48	11.3%
7	Secret Service: Domestic Protectees	DHS	819	903	84	10.3%
8	National Nuclear Security Administration: Naval Reactors	DOE	782	795	13	1.7%
9	National Institutes of Health—Buildings and Facilities	HHS	89	89	0	0.0%
10	Migration and Refugee Assistance Protection	State	125	123	−2	−1.6%
11	United Nations High Commissioner for Refugees	State	250	253	3	1.2%
12	New Currency Manufacturing	Treasury	276	375	99	35.9%
13	Secret Service: Protective Intelligence	DHS	355	73	−282	−79.4%
14	Maritime Security Program	DOT	155	155	0	0.0%
15	GSA—New Construction	GSA	1,060	893	−167	−15.8%
16	Construction and Operations of Research Facilities	NSF	514	579	65	12.6%
17	Information Technology Research	NSF	160	160	0	0.0%
18	Nanoscale Science and Engineering Research	NSF	245	229	−16	−6.5%
19	Polar Research Tools, Facilities and Logistics	NSF	307	345	38	12.4%
20	Air Force Depot Maintenance	DOD	3,533	3,772	239	6.8%
21	National Nuclear Security Administration: Global Initiatives for Proliferation Prevention	DOE	38	0	−38	−100.0%
22	National Assessment for Educational Progress	ED	89	93	4	4.5%
23	Research on Biocomplexity in the Environment	NSF	83	58	−25	−30.1%
24	Basic Energy Sciences	DOE	1,135	1,421	286	25.2%
25	Asset Management of GSA-Owned Real Property	GSA	2,780	2,670	−110	−4.0%
26	Nuclear Materials Users Licensing & Inspection	NRC	66	74	8	12.1%
27	Fundamental Science and Engineering Research	NSF	2,240	2,387	147	6.6%
28	Humanitarian Demining	State	55	64	9	16.4%
29	Migration and Refugee Assistance Other Population, Refugee and Migration Programs	State	103	83	−20	−19.4%
30	South Asia Military Assistance	State	316	319	3	0.9%
31	Alcohol and Tobacco Tax and Trade Bureau Collect the Revenue Program	Treasury	44	45	1	2.3%
32	Financial Management Service Payments	Treasury	271	282	11	4.1%

PART RATINGS AND PROGRAM FUNDING LEVELS
EFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
33	U.S. Mint: Protection Program	Treasury	37	36	−1	−2.7%
34	Bureau of Economic Analysis	DOC	76	76	0	0.0%
35	Strategic Petroleum Reserve	DOE	875	172	−703	−80.3%
36	Bureau of Reclamation—Hydropower	DOI	69	71	2	2.9%
37	FAA Research, Engineering & Development	DOT	137	130	−7	−5.1%
38	Federal Transit Administration—Formula Grant Programs	DOT	5,086	5,395	309	6.1%
39	Indian Health Service Health Care Facilities Construction	HHS	38	18	−20	−52.6%
40	Federally Funded Research and Development Centers	NSF	187	193	6	3.2%
41	Visa and Consular Services	State	1,035	1,139	104	10.0%
42	Worldwide Security Upgrades	State	808	914	106	13.1%
43	Financial Management Service Collections	Treasury	17	17	0	0.0%
44	Military Force Management	DOD	113,649	110,776	−2,873	−2.5%
45	National Center for Education Statistics	ED	91	94	3	3.3%
46	Regulation of Federal Credit Unions	NCUA	89	91	2	2.2%
47	Peace Corps: International Volunteerism	Peace Corps	338	343	5	1.5%
48	Contribution to the United Nations Development Programme	State	95	95	0	0.0%
49	Humanitarian Migrants to Israel	State	40	40	0	0.0%
50	Financial Management Service Debt Collection	Treasury	50	66	16	32.0%
51	Thrift Institution and Savings Association Supervision	Treasury	216	221	5	2.3%
52	Census Bureau: Economic Census	DOC	68	82	14	20.6%
53	Air Force Aircraft Operations	DOD	6,455	7,755	1,300	20.1%
54	Army Land Forces Operations	DOD	10,649	10,426	−223	−2.1%
55	Energy Conservation Investment	DOD	50	60	10	20.0%
56	Navy/Marine Corps Air Operations	DOD	5,795	5,689	−106	−1.8%
57	US Geological Survey—Geographic Research, Investigations, and Remote Sensing	DOI	129	142	13	10.1%
58	United States Trustees	DOJ	212	236	24	11.3%
59	Saint Lawrence Seaway Development Corporation—Operations and Maintenance	DOT	47	40	−7	−14.9%
60	National Institutes of Health—Intramural Research	HHS	2,956	2,946	−10	−0.3%
61	Office of Child Support Enforcement	HHS	3,322	3,953	631	19.0%
62	NASA Astronomy and Astrophysics Research	NASA	378	1,516	1,138	301.1%
63	Fuel Facilities Licensing & Inspection	NRC	38	38	0	0.0%
64	Reactor Inspection and Performance Assessment	NRC	204	222	18	8.8%
65	Spent Fuel Storage and Transportation Licensing and Inspection	NRC	24	27	3	12.5%
66	Support for Individual Researchers	NSF	496	519	23	4.6%
67	Export Control Assistance	State	43	45	2	4.7%
68	US Trade and Development Agency	TDA	61	51	−10	−16.4%
69	National Bank Supervision	Treasury	579	605	26	4.5%
70	Coast Guard: Domestic Icebreaking Program	DHS	67	58	−9	−13.4%
71	Secret Service: Foreign Protectees and Foreign Missions	DHS	130	132	2	1.5%
72	Department of Defense Depot Maintenance: Ship	DOD	4,042	3,882	−160	−4.0%
73	Bureau of Justice Statistics	DOJ	35	59	24	68.6%
74	Maritime Administration—State Maritime Schools	DOT	11	10	−1	−9.1%
75	National Institutes of Health—Extramural Research Programs	HHS	21,223	21,249	26	0.1%
76	Support for Research Institutions	NSF	147	147	0	0.0%
77	Support for Small Research Collaborations	NSF	388	404	16	4.1%
78	Nonproliferation and Disarmament Fund	State	37	38	1	2.7%
79	Rural Water and Wastewater Grants and Loans	USDA	1,604	1,414	−190	−11.8%
80	Broadcasting to Latin America	BBG	42	42	0	0.0%
81	Navy Ship Operations	DOD	5,186	5,536	350	6.7%
82	Advanced Simulation and Computing (ASCI)	DOE	660	630	−30	−4.5%
83	Elimination of Weapons-Grade Plutonium Production Program	DOE	174	207	33	19.0%

PART RATINGS AND PROGRAM FUNDING LEVELS
EFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
84	Bureau of Reclamation—Safety of Dams Program	DOI	65	70	5	7.7%
85	Minerals Management Service—Outer Continental Shelf Minerals Regulation and Compliance	DOI	51	54	3	5.9%
86	Bureau of Labor Statistics	DOL	537	563	26	4.8%
87	Indian Health Service Resource and Patient Management System	HHS	45	55	10	22.2%
88	Support for East European Democracy/Freedom Support Act	State	864	715	−149	−17.2%
89	Customs and Border Protection: Security Inspections and Trade Facilitation	DHS	2,273	2,343	70	3.1%
90	Science and Technology: Biological Countermeasures	DHS	372	337	−35	−9.4%
91	Census Bureau: Current Demographic Statistics	DOC	77	52	−25	−32.5%
92	Depot Maintenance—Naval Aviation	DOD	977	991	14	1.4%
93	National Nuclear Security Administration: Weapons Activities—Readiness Campaign	DOE	217	211	−6	−2.8%
94	Nonproliferation and International Security	DOE	74	127	53	71.6%
95	Bureau of Reclamation—Science and Technology Program	DOI	17	10	−7	−41.2%
96	Refugee Transitional and Medical Services	HHS	268	282	14	5.2%
97	Homeless Assistance Grants (Competitive)	HUD	1,327	1,536	209	15.7%
98	Solar System Exploration	NASA	1,582	1,603	21	1.3%
99	Disaster Loan Program	SBA	1,261	218	−1,043	−82.7%
100	Administering the Public Debt	Treasury	175	178	3	1.7%
101	U.S. Mint: Numismatic Program	Treasury	1,282	1,321	39	3.0%
102	Economic Research Service	USDA	75	83	8	10.7%
103	Plant and Animal Health Monitoring Programs	USDA	286	346	60	21.0%
104	African Development Foundation	ADF	46	52	6	13.0%
105	Census Bureau: Survey Sample Redesign	DOC	11	11	0	0.0%
106	Defense Basic Research	DOD	1,476	1,420	−56	−3.8%
107	Biological and Environmental Research	DOE	580	510	−70	−12.1%
108	Contributions For International Peacekeeping Activities	State	1,022	1,135	113	11.1%
109	Non-Security Embassy Construction Program	State	0	0	0	0.0%
110	Refugee Admissions to the US	State	159	223	64	40.3%
111	Pest and Disease Exclusion	USDA	156	182	26	16.7%
112	Preparedness Grants and Training Office National Exercise Program	DHS	52	42	−10	−19.2%
113	National Institute for Standards and Technology Laboratories	DOC	569	535	−34	−6.0%
114	Department of Defense Training and Education Programs—Basic Skills and Advanced Training	DOD	4,957	4,984	27	0.5%
115	International Nuclear Materials Protection and Cooperation	DOE	423	413	−10	−2.4%
116	Nuclear Physics	DOE	367	454	87	23.7%
117	Department of Justice General Legal Activities	DOJ	767	795	28	3.7%
118	CDC: Global Immunizations	HHS	138	138	0	0.0%
119	Health Centers	HHS	1,782	1,963	181	10.2%
120	Medicare Integrity Program	HHS	820	829	9	1.1%
121	Anti-Terrorism Assistance	State	122	136	14	11.5%
122	Terrorist Interdiction Program	State	5	12	7	140.0%
123	U.S. Mint: Coin Production	Treasury	567	573	6	1.1%
124	TVA Resource Stewardship	TVA	83	84	1	1.2%
	Total funding for Effective programs[1]		231,853	231,968	115	0.0%

[1] Funding levels represent program level and include BA, obligations, user fees, loan levels, etc. as appropriate

PART RATINGS AND PROGRAM FUNDING LEVELS
MODERATELY EFFECTIVE PROGRAMS

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
1	Formerly Utilized Sites Remedial Action Program	Corps	139	130	−9	−6.5%
2	Advanced Scientific Computing Research	DOE	235	319	84	35.7%
3	Directed Stockpile Work (DSW)	DOE	1,372	1,380	8	0.6%
4	High Energy Physics	DOE	717	775	58	8.1%
5	National Criminal History Improvement Program	DOJ	10	39	29	290.0%
6	EPA Acid Rain Program	EPA	19	20	1	5.3%
7	NASA Earth-Sun System Research	NASA	2,164	2,211	47	2.2%
8	Internal Revenue Service Taxpayer Advocate Service	Treasury	164	164	0	0.0%
9	TVA Power	TVA	8,632	8,946	314	3.6%
10	Corps of Engineers: Regulatory Program	Corps	158	173	15	9.5%
11	Census Bureau: Current Economic Statistics and Census of Governments	DOC	140	156	16	11.4%
12	National Oceanic & Atmospheric Administration: Navigation Services	DOC	93	91	−2	−2.2%
13	Vehicle Technologies	DOE	182	166	−16	−8.8%
14	Bureau of Indian Affairs—Dam Safety and Dam Maintenance	DOI	22	22	0	0.0%
15	National Park Service—National Historic Preservation	DOI	96	89	−7	−7.3%
16	National Park Service—Natural Resource Stewardship	DOI	210	215	5	2.4%
17	US Geological Survey—Energy Resource Assessments	DOI	24	26	2	8.3%
18	Hazardous Materials Transportation Safety—Emergency Preparedness Grants	DOT	14	28	14	100.0%
19	Highway Research and Development/Intelligent Transportation Systems	DOT	430	430	0	0.0%
20	Maritime Administration—Merchant Marine Academy	DOT	64	62	−2	−3.1%
21	GSA—Real Property Leasing	GSA	4,443	4,483	40	0.9%
22	HIV/AIDS Research	HHS	2,904	2,988	84	2.9%
23	Peace Keeping Operations—Organization for Security and Cooperation in Europe Programs	State	30	30	0	0.0%
24	Emergency Pest and Disease Management Programs	USDA	267	284	17	6.4%
25	Broadcasting to Near East Asia and South Asia	BBG	149	159	10	6.7%
26	Coast Guard Marine Environmental Protection	DHS	374	332	−42	−11.2%
27	Census Bureau: Intercensal Demographic Estimates	DOC	9	10	1	11.1%
28	Fusion Energy Sciences	DOE	288	319	31	10.8%
29	National Nuclear Security Administration: Weapons Activities—Science Campaign	DOE	277	265	−12	−4.3%
30	Weatherization Assistance	DOE	243	160	−83	−34.2%
31	Minerals Management Service—Outer Continental Shelf Environmental Studies	DOI	16	20	4	25.0%
32	US Geological Survey—Geologic Hazard Assessments	DOI	81	82	1	1.2%
33	Arson and Explosives Program	DOJ	188	196	8	4.3%
34	Federal Lands Highway Program	DOT	806	903	97	12.0%
35	Federal Transit Administration New Starts	DOT	1,488	1,466	−22	−1.5%
36	Export Import Bank—Long Term Guarantees	EX-IM	474	203	−271	−57.2%
37	GSA—Vehicle Leasing	GSA	1,000	1,030	30	3.0%
38	National Center for Health Statistics	HHS	109	109	0	0.0%
39	Inter-American Foundation	IAF	37	37	0	0.0%
40	Military Assistance to New NATO and NATO Aspirant Nations	State	155	154	−1	−0.6%
41	Research on Protection and Safety of Agricultural Food Supply	USDA	392	388	−4	−1.0%
42	Snow Survey Water Supply Forecasting	USDA	11	11	0	0.0%
43	Coast Guard Migrant Interdiction Program	DHS	464	488	24	5.2%
44	Immigration and Customs Enforcement: Detention and Removal	DHS	1,450	2,076	626	43.2%
45	Department of Defense Training and Education Programs—Accession Training	DOD	829	878	49	5.9%
46	Secure Transportation Asset (STA)	DOE	210	210	0	0.0%
47	Fish and Wildlife Service—National Fish Hatchery System	DOI	60	61	1	1.7%

PART RATINGS AND PROGRAM FUNDING LEVELS
MODERATELY EFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
48	US Geological Survey—National Cooperative Geological Mapping	DOI	25	26	1	4.0%
49	DOT Pipeline Safety	DOT	72	76	4	5.6%
50	Mobile Source Air Pollution Standards and Certification	EPA	62	71	9	14.5%
51	Administration on Aging	HHS	1,363	1,335	−28	−2.1%
52	Child Care and Development Fund	HHS	4,979	4,979	0	0.0%
53	National Community Development Initiative	HUD	30	0	−30	−100.0%
54	Veterans Health Research and Development	VA	786	765	−21	−2.7%
55	US Geological Survey—Mineral Resource Assessments	DOI	53	31	−22	−41.5%
56	Federal Motor Carrier Safety Administration—Operations and Programs	DOT	211	223	12	5.7%
57	Railroad Safety Program	DOT	143	143	0	0.0%
58	Maternal and Child Health Block Grant	HHS	693	693	0	0.0%
59	Office of Transition Initiatives	USAID	40	50	10	25.0%
60	Agricultural Credit Insurance Fund—Guaranteed Loans	USDA	2,796	2,498	−298	−10.7%
61	Mutual Self-Help Housing Technical Assistance Grants	USDA	34	38	4	11.8%
62	Generation IV Nuclear Energy Systems Initiative	DOE	55	32	−23	−41.8%
63	Criminal Justice Services	DOJ	286	411	125	43.7%
64	Pension Benefit Guaranty Corporation	DOL	374	398	24	6.4%
65	EPA Lead-Based Paint Risk Reduction Program	EPA	23	25	2	8.7%
66	Indian Health Service Sanitation Facilities Construction Program	HHS	92	94	2	2.2%
67	Center for Talent Services—HR Products and Services for Federal Agencies	OPM	159	167	8	5.0%
68	Federal Crop Insurance	USDA	3,365	4,212	847	25.2%
69	National Agricultural Statistics Service	USDA	139	153	14	10.1%
70	Protection and Safety of Agricultural Food Supply (Grants)	USDA	238	207	−31	−13.0%
71	Veterans Burial Benefits	VA	153	161	8	5.2%
72	Broadcasting to Africa	BBG	12	13	1	8.3%
74	Federal Protective Service	DHS	1,648	1,706	58	3.5%
75	Science and Technology: Homeland Security University Fellowships	DHS	62	52	−10	−16.1%
76	National Oceanic & Atmospheric Administration: Climate Program	DOC	156	180	24	15.4%
77	Air Combat Program	DOD	13,737	11,784	−1,953	−14.2%
78	Defense Housing	DOD	17,047	16,545	−502	−2.9%
79	Department of Defense Recruiting	DOD	3,973	4,060	87	2.2%
80	Bonneville Power Administration	DOE	−19	−11	8	−42.1%
81	Facilities and Infrastructure	DOE	283	294	11	3.9%
82	US Geological Survey—Biological Research and Monitoring	DOI	140	136	−4	−2.9%
83	H-1B Work Visa for Specialty Occupations—Labor Condition Application Program	DOL	5	6	1	20.0%
84	National Highway Traffic Safety Administration Grant Program	DOT	572	584	12	2.1%
85	GSA—Real Property Disposal	GSA	55	52	−3	−5.5%
86	NASA Aeronautics Technology	NASA	884	724	−160	−18.1%
87	Child Survival and Health—Population	USAID	440	295	−145	−33.0%
88	Economic Development Administration	DOC	250	297	47	18.8%
89	Airlift Program	DOD	5,771	5,367	−404	−7.0%
90	Inertial Confinement Fusion Ignition and High Yield Campaign/NIF Construction Project	DOE	544	451	−93	−17.1%
91	National Nuclear Security Administration: Nonproliferation and Verification Research and Development	DOE	319	269	−50	−15.7%
92	Safeguards and Security	DOE	766	721	−45	−5.9%
93	Western Area Power Administration	DOE	1,117	1,283	166	14.9%

PART RATINGS AND PROGRAM FUNDING LEVELS
MODERATELY EFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
94	US Geological Survey—Biological Information Management and Delivery	DOI	24	22	−2	−8.3%
95	Firearms Programs Integrated Violence Reduction Strategy	DOJ	663	765	102	15.4%
96	Railroad Research and Development	DOT	55	35	−20	−36.4%
97	Food and Drug Administration	HHS	1,876	1,947	71	3.8%
98	Pharmaceutical Outcomes	HHS	26	26	0	0.0%
99	Homeownership Voucher	HUD	5	14	9	180.0%
100	Security Assistance to Sub-Saharan Africa	State	113	148	35	31.0%
101	Development Credit Authority	USAID	38	53	15	39.5%
102	Single Family Housing Direct Loans	USDA	1,131	1,237	106	9.4%
103	Corps of Engineers: Emergency Management	Corps	4	85	81	2025.0%
104	Federal Emergency Management Agency—Mitigation Programs	DHS	5,481	5,526	45	0.8%
105	Science and Technology: Rapid Prototyping of Countermeasures	DHS	31	10	−21	−67.7%
106	Census Bureau: Decennial Census	DOC	454	512	58	12.8%
107	National Oceanic & Atmospheric Administration: Weather and Related Programs	DOC	1,779	1,908	129	7.3%
108	Advanced Fuel Cycle Initiative	DOE	80	250	170	212.5%
109	Veterans' Employment and Training State Grants	DOL	161	161	0	0.0%
110	FAA Grants-in-Aid for Airports	DOT	3,415	3,000	−415	−12.2%
111	TRIO Student Support Services	ED	273	273	0	0.0%
112	HOME (Affordable Housing Block Grant)	HUD	1,757	1,917	160	9.1%
113	Nonproliferation of Weapons of Mass Destruction Expertise	State	52	56	4	7.7%
114	Bank Secrecy Act Data Collection, Retrieval and Sharing	Treasury	17	29	12	70.6%
115	Internal Revenue Service Criminal Investigations	Treasury	718	728	10	1.4%
116	Internal Revenue Service Examinations	Treasury	3,598	3,658	60	1.7%
117	Internal Revenue Service Submission Processing	Treasury	1,117	1,112	−5	−0.4%
118	Agricultural Export Credit Guarantee Programs	USDA	133	117	−16	−12.0%
119	Food Stamp Program	USDA	33,890	36,003	2,113	6.2%
120	Forest Service: Forest Legacy Program	USDA	57	62	5	8.8%
121	Small Business Development Centers	SBA	107	109	2	1.9%
121	Manufacturing Extension Partnership	DOC	105	46	−59	−56.2%
122	Readiness in Technical Base and Facilities (RTBF), Operations	DOE	1,161	1,220	59	5.1%
123	Wind Energy	DOE	39	44	5	12.8%
124	Minerals Management Service—Outer Continental Shelf Minerals Evaluation and Leasing	DOI	51	55	4	7.8%
125	National Park Service—Visitor Services	DOI	465	502	37	8.0%
126	Federal Employees Compensation Act	DOL	2,719	2,775	56	2.1%
127	National Highway Traffic Safety Administration—Operations and Research	DOT	235	231	−4	−1.7%
128	Improving Teacher Quality State Grants	ED	2,887	2,887	0	0.0%
129	EPA New Chemicals Program	EPA	15	14	−1	−6.7%
130	Health—Data Collection and Dissemination	HHS	63	66	3	4.8%
131	Indian Health Service Federally-Administered Activities	HHS	1,886	1,979	93	4.9%
132	National Bone Marrow Donor Registry	HHS	25	23	−2	−8.0%
133	Projects for Assistance in Transition from Homelessness	HHS	54	54	0	0.0%
134	Manufactured Housing and Standards	HUD	13	13	0	0.0%
135	Neighborhood Reinvestment Corporation	NR Corp.	117	120	3	2.6%
136	Service Corps of Retired Executives Small Business Assistance	SBA	19	21	2	10.5%
137	Security Assistance for the Western Hemisphere	State	125	118	−7	−5.6%
138	Child Survival and Health for Latin America and the Caribbean	USAID	141	128	−13	−9.2%

PART RATINGS AND PROGRAM FUNDING LEVELS
MODERATELY EFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
139	Development Assistance to Latin America and the Caribbean	USAID	257	167	−90	−35.0%
140	Forest Service: Recreation	USDA	275	250	−25	−9.1%
141	Research/Extension Grants: Economic Opportunities for Producers	USDA	435	354	−81	−18.6%
142	USDA Foreign Market Development Programs	USDA	249	149	−100	−40.2%
143	Broadcasting to East Asia and Eurasia	BBG	91	91	0	0.0%
144	Coast Guard Fisheries Enforcement	DHS	815	808	−7	−0.9%
145	Southwestern Power Administration	DOE	55	63	8	14.5%
146	Prisons Operations	DOJ	4,830	4,987	157	3.3%
147	Unemployment Insurance Administration State Grants	DOL	2,549	2,650	101	4.0%
148	GSA—Personal Property Management	GSA	32	33	1	3.1%
149	Health and Human Services—Office for Civil Rights	HHS	35	36	1	2.9%
150	Medicare	HHS	407,249	453,890	46,641	11.5%
151	Lead Hazard Grants	HUD	76	92	16	21.1%
152	Examining Compliance with Securities Laws	SEC	223	228	5	2.2%
153	Agricultural Marketing Loan Payments	USDA	5,124	4,444	−680	−13.3%
154	USDA Research: Economic Opportunities for Producers	USDA	392	314	−78	−19.9%
155	Department of Veterans Affairs- General Administration	VA	296	313	17	5.7%
156	Distributed Energy Resources	DOE	56	30	−26	−46.4%
157	Hydrogen Technology	DOE	156	196	40	25.6%
158	Solar Energy	DOE	83	148	65	78.3%
159	Southeastern Power Administration	DOE	38	40	2	5.3%
160	Bureau of Indian Affairs—Job Placement and Training	DOI	8	8	0	0.0%
161	Bureau of Reclamation—Site Security	DOI	50	50	0	0.0%
162	US Geological Survey—Water Information Collection and Dissemination	DOI	64	66	2	3.1%
163	US Geological Survey—Water Resources Research	DOI	141	138	−3	−2.1%
164	Hazardous Materials Transportation Safety	DOT	26	27	1	3.8%
165	Adoption Assistance	HHS	1,883	2,044	161	8.6%
166	Reactor Licensing	NRC	264	341	77	29.2%
167	President's Emergency Plan For AIDS Relief: Focus Countries	State	1,774	2,776	1,002	56.5%
168	Natural Resources Conservation Service: Plant Materials Research Centers	USDA	10	11	1	10.0%
169	Veterans Life Insurance	VA	4	4	0	0.0%
170	Corps of Engineers: Recreation Management	Corps	283	267	−16	−5.7%
171	Preparedness Infrastructure Protection National Communications Service	DHS	286	286	0	0.0%
172	Bureau of Industry and Security	DOC	75	79	4	5.3%
173	U.S. Patent and Trademark Office—Trademarks	DOC	188	203	15	8.0%
174	Department of Defense Education Activity	DOD	1,776	1,821	45	2.5%
175	Federal Energy Management Program	DOE	19	17	−2	−10.5%
176	Bureau of Indian Affairs—Indian Land Consolidation	DOI	34	59	25	73.5%
177	Federal Motor Carrier Safety Administration Grant Program	DOT	279	294	15	5.4%
178	TRIO Talent Search	ED	143	0	−143	−100.0%
179	EPA Support for Cleanup of Federal Facilities	EPA	31	31	0	0.0%
180	Superfund Removal	EPA	240	250	10	4.2%
181	Family Planning	HHS	283	283	0	0.0%
182	Human Trafficking	HHS	10	15	5	50.0%
183	Strategic National Stockpile	HHS	525	592	67	12.8%
184	Fair Housing Assistance Program	HUD	20	25	5	25.0%
185	Housing Vouchers	HUD	15,418	15,920	502	3.3%
186	Human Systems Research and Technology	NASA	624	275	−349	−55.9%
187	Historically Underutilized Business Zone—HUBZone	SBA	7	10	3	42.9%
188	Protection of Foreign Missions and Officials	State	9	9	0	0.0%
189	Agricultural Credit Insurance Fund Direct Loans	USDA	951	930	−21	−2.2%
190	Environmental Quality Incentives Program	USDA	1,017	1,000	−17	−1.7%

PART RATINGS AND PROGRAM FUNDING LEVELS
MODERATELY EFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
191	Multi-Family Housing Programs	USDA	899	745	−154	−17.1%
192	Natural Resource Base & Environment (Grants)	USDA	191	162	−29	−15.2%
193	Perishable Agricultural Commodities Act	USDA	10	10	0	0.0%
194	Corps of Engineers: Coastal Ports and Harbors	Corps	1,136	1,061	−75	−6.6%
195	District of Columbia: Pretrial Services Agency	DC Court	42	46	4	9.5%
196	Defense Air Transportation System	DOD	7,482	6,820	−662	−8.8%
197	Geothermal Technology	DOE	23	0	−23	−100.0%
198	Bureau of Land Management—Wildlife Habitat Restoration	DOI	148	150	2	1.4%
199	FBI Counterintelligence Program	DOJ	Class.	Class.	.....	.....
200	Black Lung Benefits Program	DOL	1,401	1,374	−27	−1.9%
201	Employee Benefits Security Administration	DOL	134	144	10	7.5%
202	EPA Indoor Air Quality	EPA	37	39	2	5.4%
203	Surface Water Protection	EPA	189	192	3	1.6%
204	Temporary Assistance for Needy Families (TANF)	HHS	17,058	17,158	100	0.6%
205	Universal Newborn Hearing Screening and Intervention Program	HHS	10	0	−10	−100.0%
206	International Space Station	NASA	1,753	1,812	59	3.4%
207	Supplemental Security Income	SSA	41,108	40,702	−406	−1.0%
208	Economic Support Fund for the Western Hemisphere	State	122	152	30	24.6%
209	Conservation Reserve Program	USDA	2,021	2,192	171	8.5%
210	Soil Survey Program	USDA	87	89	2	2.3%
211	Immigration Services	DHS	1,889	1,986	97	5.1%
212	Science and Technology: Emerging Homeland Security Threat Detection	DHS	8	9	1	12.5%
213	Defense Applied Research Program	DOD	5,188	4,478	−710	−13.7%
214	DoD Unmannned Aircraft Systems (UAS)	DOD	1,588	1,785	197	12.4%
215	Future Combat Systems/Modularity Land Warfare	DOD	9,623	10,349	726	7.5%
216	High Temperature Superducting (HTS) Research and Development	DOE	50	45	−5	−10.0%
217	Bureau of Reclamation—Water Reuse and Recycling	DOI	20	10	−10	−50.0%
218	Job Corps	DOL	1,586	1,531	−55	−3.5%
219	FAA Aviation Safety	DOT	941	1,007	66	7.0%
220	Highway Emergency Relief Program	DOT	2,850	100	−2,750	−96.5%
221	Highway Infrastructure	DOT	34,215	37,650	3,435	10.0%
222	Advanced Placement	ED	32	122	90	281.3%
223	Childrens Mental Health Services	HHS	104	104	0	0.0%
224	National Health Service Corps	HHS	126	126	0	0.0%
225	Protection and Advocacy for Individuals with Mental Illness	HHS	34	34	0	0.0%
226	Substance Abuse Prevention Projects of Regional and National Significance	HHS	193	181	−12	−6.2%
227	Social Security Disability Insurance	SSA	92,989	100,051	7,062	7.6%
228	US Agency for International Development Administration and Capital Investment	USAID	770	836	66	8.6%
229	Federal Grain Inspection Services	USDA	60	66	6	10.0%
230	School Breakfast Program	USDA	2,076	2,204	128	6.2%
231	USDA Food Aid Programs	USDA	394	250	−144	−36.5%
	I11 Total funding for Moderately Effective programs[1]	.....	841,092	897,325	56,233	6.7%
	Total funding for Moderately Effective programs (excluding Medicare)[1]	.....	433,843	443,435	9,592	2.2%

[1] Funding levels represent program level and include BA, obligations, user fees, loan levels, etc. as appropriate

PART RATINGS AND PROGRAM FUNDING LEVELS
ADEQUATE PROGRAMS

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
1	Science and Technology: Standards Development for Homeland Security Technology	DHS	33	22	−11	−33.3%
2	Missile Defense	DOD	7,695	9,318	1,623	21.1%
3	Nuclear Power 2010	DOE	66	55	−11	−16.7%
4	Department of the Interior—Central Utah Project	DOI	34	40	6	17.6%
5	National Institute of Justice	DOJ	54	56	2	3.7%
6	Federal Pell Grants	ED	13,045	12,739	−306	−2.3%
7	GSA—Vehicle Acquisition	GSA	1,213	1,233	20	1.6%
8	Tribally-Operated Health Programs	HHS	1,648	1,720	72	4.4%
9	Urban Indian Health Program	HHS	33	0	−33	−100.0%
10	Section 7 (a) Guaranteed Loan Program	SBA	97	83	−14	−14.4%
11	Agricultural Crops Counter Cyclical Payments	USDA	5,893	6,661	768	13.0%
12	Single Family Housing Loan Guarantees	USDA	3,745	3,564	−181	−4.8%
13	National Oceanic & Atmospheric Administration: Protected Areas	DOC	56	42	−14	−25.0%
14	Space Launch	DOD	1,175	1,255	80	6.8%
15	Industrial Technologies Program	DOE	57	46	−11	−19.3%
16	Charter Schools Grant	ED	215	215	0	0.0%
17	National Institute on Disability and Rehabilitation Research	ED	107	107	0	0.0%
18	EPA Climate Change Programs	EPA	111	105	−6	−5.4%
19	Leaking Underground Storage Tank Cleanup Program	EPA	68	69	1	1.5%
20	CDC: Environmental Health	HHS	146	141	−5	−3.4%
21	Poison Control Centers	HHS	23	13	−10	−43.5%
22	Overseas Private Investment Corporation—Finance	OPIC	48	50	2	4.2%
23	Overseas Private Investment Corporation—Insurance	OPIC	−211	−209	2	−0.9%
24	Appalachian Regional Commission	ARC	65	65	0	0.0%
25	U.S. Patent and Trademark Office—Patents	DOC	1,495	1,640	145	9.7%
26	National Security Space Weather Programs	DOD	394	437	43	10.9%
27	Fish and Wildlife Service—Partners for Fish and Wildlife	DOI	50	43	−7	−14.0%
28	National Park Service—Facility Maintenance	DOI	1,034	933	−101	−9.8%
29	Criminal Enterprises	DOJ	788	750	−38	−4.8%
30	Stratospheric Ozone Protection	EPA	15	19	4	26.7%
31	GSA—Global Supply	GSA	1,032	1,051	19	1.8%
32	CDC: Infectious Diseases	HHS	227	245	18	7.9%
33	Ryan White HIV/AIDS	HHS	2,083	2,158	75	3.6%
34	FHA Single-Family Mortgage Insurance	HUD	414	414	0	0.0%
35	Section 504 Certified Development Company Guaranteed Loan Program	SBA	38	23	−15	−39.5%
36	Economic Support Fund for Africa	State	123	164	41	33.3%
37	Farmland Protection Program	USDA	74	50	−24	−32.4%
38	Food Safety and Inspection Service	USDA	829	863	34	4.1%
39	Coast Guard: Marine Safety	DHS	685	678	−7	−1.0%
40	Advanced Technology Program	DOC	79	0	−79	−100.0%
41	National Park Service—Cultural Resource Stewardship	DOI	96	99	3	3.1%
42	US Marshals Service- Protection of the Judicial Process	DOJ	340	343	3	0.9%
43	Agency for Toxic Substances and Disease Registry	HHS	75	75	0	0.0%
44	State Children's Health Insurance Program	HHS	4,316	5,040	724	16.8%
45	Space and Flight Support	NASA	339	367	28	8.3%
46	Economic Support Fund—Human Rights and Democracy Fund	State	63	35	−28	−44.4%
47	USAID's Development Assistance for Sub-Saharan Africa	USAID	594	563	−31	−5.2%
48	Rural Electric Utility Loans and Guarantees	USDA	3,893	3,842	−51	−1.3%
49	Wetlands Reserve Program	USDA	250	403	153	61.2%
50	Office of Federal Contract Compliance	DOL	81	84	3	3.7%
51	FAA Air Traffic Services	DOT	6,575	6,748	173	2.6%
52	Nonpoint Source Pollution Control Grants	EPA	204	194	−10	−4.9%

PART RATINGS AND PROGRAM FUNDING LEVELS
ADEQUATE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
53	CDC: Sexually Transmitted Diseases and Tuberculosis	HHS	296	294	−2	−0.7%
54	National Archives and Records Administration: Records Services Program	NARA	413	430	17	4.1%
55	Small Business Surety Bonds	SBA	9	11	2	22.2%
56	Interagency Cooperative Administrative Support Services	State	1,269	1,359	90	7.1%
57	President's Emergency Plan For AIDS Relief: Global Fund	State	545	299	−246	−45.1%
58	Treasury Technical Assistance	Treasury	60	48	−12	−20.0%
59	Agricultural Commodity Grading and Certification Programs	USDA	195	191	−4	−2.1%
60	Watershed Protection and Flood Prevention	USDA	111	15	−96	−86.5%
61	AmeriCorps State and National Grants	CNCS	268	259	−9	−3.4%
62	Bureau of Indian Affairs—Forestry Management	DOI	52	52	0	0.0%
63	Permanent Labor Certification Program	DOL	38	40	2	5.3%
64	Howard University	ED	237	237	0	0.0%
65	EPA Enforcement of Environmental Laws (Criminal)	EPA	51	51	0	0.0%
66	EPA Existing Chemicals Program	EPA	17	17	0	0.0%
67	CDC: Occupational Safety and Health	HHS	255	250	−5	−2.0%
68	Animal Welfare	USDA	17	19	2	11.8%
69	Corps of Engineers: Hydropower	Corps	296	285	−11	−3.7%
70	Immigration and Customs Enforcement: Office of Investigations	DHS	1,493	1,619	126	8.4%
71	Preparedness Grants and Training Office Training Program	DHS	210	92	−118	−56.2%
72	National Oceanic & Atmospheric Administration: Ecosystem Research	DOC	201	167	−34	−16.9%
73	Navy Shipbuilding	DOD	13,778	13,280	−498	−3.6%
74	Bureau of Reclamation Water Management—Operation and Maintenance	DOI	338	346	8	2.4%
75	US Marshals Service—Apprehension of Fugitives	DOJ	242	260	18	7.4%
76	Childhood Immunization Program	HHS	520	509	−11	−2.1%
77	Refugee Social Services	HHS	210	203	−7	−3.3%
78	Rural Health Activities	HHS	160	27	−133	−83.1%
79	Alcohol, Tobacco, and Firearms Consumer Product Safety	Treasury	46	48	2	4.3%
80	Direct Crop Payments	USDA	5,237	5,237	0	0.0%
81	Rural Telecommunications Loan Programs	USDA	690	691	1	0.1%
82	Veterans Medical Care	VA	30,825	34,295	3,470	11.3%
83	Preparedness Grants and Training Office Technical Assistance Program	DHS	20	24	4	20.0%
84	National Telecommunications and Information Adminstration	DOC	18	23	5	27.8%
85	FBI Counterterrorism Program	DOJ	1,245	1,336	91	7.3%
86	Weed and Seed	DOJ	49	49	0	0.0%
87	Occupational Safety and Health Administration	DOL	472	484	12	2.5%
88	Assets for Independence	HHS	24	24	0	0.0%
89	CDC: Buildings and Facilities	HHS	158	30	−128	−81.0%
90	Organ Transplantation	HHS	23	23	0	0.0%
91	Drug-Free Communities Support Program	ONDCP	79	79	0	0.0%
92	Forest Service: Energy Resource Needs	USDA	91	95	4	4.4%
93	Intermediary Relending Program	USDA	34	34	0	0.0%
94	Defense Health Care	DOD	20,021	21,025	1,004	5.0%
95	Bureau of Indian Affairs—Economic Development Guaranteed Loans	DOI	6	6	0	0.0%
96	Bureau of Land Management—Recreation Management	DOI	65	64	−1	−1.5%
97	Cybercrime	DOJ	234	260	26	11.1%
98	Prison Construction	DOJ	89	−25	−114	−128.1%
99	Drinking Water State Revolving Fund	EPA	837	842	5	0.6%

PART RATINGS AND PROGRAM FUNDING LEVELS
ADEQUATE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
100	EPA Human Health Research	EPA	61	61	0	0.0%
101	EPA's Recycling, Waste Minimization, and Waste Management Program	EPA	180	183	3	1.7%
102	Pesticide Reregistration	EPA	59	55	−4	−6.8%
103	Food Aid for Emergencies and Development (Public Law 480 Title II)	USAID	1,138	1,218	80	7.0%
104	Corps of Engineers: Environmental Stewardship	Corps	94	89	−5	−5.3%
105	Federal Emergency Management Agency: Disaster Response	DHS	1,307	326	−981	−75.1%
106	Biomass and Biorefinery Systems	DOE	91	120	29	31.9%
107	Vaccine Injury Compensation Program	DOJ	10	10	0	0.0%
108	White Collar Crime	DOJ	708	674	−34	−4.8%
109	American Indian Vocational Rehabilitation Services	ED	0	0	0	0.0%
110	IDEA Special Education Grants to States	ED	10,583	10,683	100	0.9%
111	Pesticide Registration	EPA	44	43	−1	−2.3%
112	Developmental Disabilities Grant Programs	HHS	155	155	0	0.0%
113	Health Care Patient Safety	HHS	84	84	0	0.0%
114	Bioenergy	USDA	60	0	−60	−100.0%
115	Rural Business and Industry Guaranteed Loan Program	USDA	953	1,000	47	4.9%
116	Department of Defense Facilities Sustainment, Restoration, Modernization, and Demolition	DOD	11,366	11,518	152	1.3%
117	Building Technologies	DOE	69	77	8	11.6%
118	Environmental Management	DOE	6,590	5,828	−762	−11.6%
119	Drug Enforcement Administration	DOJ	2,285	2,276	−9	−0.4%
120	EPA Enforcement of Environmental Laws (Civil)	EPA	451	470	19	4.2%
121	Community Mental Health Services Block Grant	HHS	429	429	0	0.0%
122	Contributions to International Fisheries Commissions	State	24	21	−3	−12.5%
123	Internal Revenue Service Taxpayer Service	Treasury	2,179	2,134	−45	−2.1%
124	Pesticide Data/Microbiological Data Programs	USDA	21	15	−6	−28.6%
125	District of Columbia: Community Supervision Program	DC Court	130	135	5	3.8%
126	Federal Law Enforcement Training Center	DHS	280	245	−35	−12.5%
127	International Trade Administration: Market Access and Compliance	DOC	39	39	0	0.0%
128	US Attorneys	DOJ	1,580	1,637	57	3.6%
129	Trauma-EMS Systems Program	HHS	0	0	0	0.0%
130	President's Emergency Plan For AIDS Relief: Other Bilateral Programs	State	935	915	−20	−2.1%
131	Africa Child Survival and Health	USAID	392	479	87	22.2%
132	US Agency for International Development Climate Change Program	USAID	**	**	**	**
133	Work Incentive Grants	DOL	20	0	−20	−100.0%
134	Impact Aid Construction	ED	18	18	0	0.0%
135	Student Aid Administration	ED	744	734	−10	−1.3%
136	Water Pollution Control Grants	EPA	216	222	6	2.8%
137	Chronic Disease—Diabetes	HHS	63	63	0	0.0%
138	Housing Counseling	HUD	42	45	3	7.1%
139	International Disaster and Famine Account	USAID	365	.....	−365	−100.0%
140	National Forest Improvement and Maintenance	USDA	442	385	−57	−12.9%
141	Veterans Pension	VA	3,640	3,718	78	2.1%
142	International Trade Administration: U.S. and Foreign Commercial Service	DOC	229	248	19	8.3%
143	Bureau of Indian Affairs—K-12 School Operations	DOI	535	519	−16	−3.0%
144	Bureau of Indian Affairs—Tribal Colleges	DOI	103	102	−1	−1.0%
145	Employment Service	DOL	827	753	−74	−8.9%
146	Federal Family Education Loans	ED	9,839	6,125	−3,714	−37.7%
147	William D. Ford Direct Student Loans	ED	599	36	−563	−94.0%
148	National Ambient Air Quality Standards and Regional Haze Programs	EPA	97	97	0	0.0%
149	Family Self-Sufficiency Program	HUD	48	48	0	0.0%

PART RATINGS AND PROGRAM FUNDING LEVELS
ADEQUATE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
150	Indian Community Development Block Grant Program	HUD	59	57	−2	−3.4%
151	International Development Association	Treasury	2,820	2,850	30	1.1%
152	Denali Commission	Denali Commission	53	6	−47	−88.7%
153	National Marine Fisheries Service	DOC	687	649	−38	−5.5%
154	Coal Energy Technology	DOE	376	345	−31	−8.2%
155	Bureau of Land Management—Energy and Minerals Management	DOI	134	157	23	17.2%
156	Longshore and Harbor's Workers Compensation Program	DOL	248	248	0	0.0%
157	Mine Safety and Health Administration	DOL	278	288	10	3.6%
158	Javits Fellowships	ED	10	10	0	0.0%
159	Transition to Teaching	ED	44	44	0	0.0%
160	Vocational Rehabilitation State Grants	ED	2,693	2,837	144	5.3%
161	Drinking Water Research	EPA	45	49	4	8.9%
162	Ocean, Coastal, and Estuary Protection	EPA	37	31	−6	−16.2%
163	Toxic Air Pollutants—Regulations and Federal Support	EPA	97	99	2	2.1%
164	NASA Education Program	NASA	162	153	−9	−5.6%
165	Space Shuttle	NASA	4,776	4,057	−719	−15.1%
166	Federal Employees Retirement	OPM	58,501	61,427	2,926	5.0%
167	Homeland Security Operations Center	DHS	51	55	4	7.8%
168	Transportation Security Administration: Screener Training	DHS	88	88	0	0.0%
169	Bureau of Land Management—Realty and Ownership Management	DOI	104	98	−6	−5.8%
170	National Park Service—Concessions Management	DOI	56	58	2	3.6%
171	Office of Labor Management Standards	DOL	46	52	6	13.0%
172	Clean Water State Revolving Fund	EPA	887	688	−199	−22.4%
173	Endocrine Disruptors	EPA	19	17	−2	−10.5%
174	Resource Conservation and Recovery Act Corrective Action	EPA	38	41	3	7.9%
175	Superfund Remedial Action	EPA	601	592	−9	−1.5%
176	U. S.-Mexico Border Water Infrastructure	EPA	49	25	−24	−49.0%
177	Underground Injection Control Grant Program	EPA	11	11	0	0.0%
178	Children's Hospitals Graduate Medical Education Payment Program	HHS	297	99	−198	−66.7%
179	Chronic Disease—Breast and Cervical Cancer	HHS	204	204	0	0.0%
180	Foster Care	HHS	4,633	4,757	124	2.7%
181	Substance Abuse Treatment Programs of Regional and National Significance	HHS	399	375	−24	−6.0%
182	Tribal Housing Activities Loan Guarantees	HUD	2	2	0	0.0%
183	Merit System Compliance	OPM	17	17	0	0.0%
184	Nutrition Assistance for Puerto Rico	USDA	1,518	1,559	41	2.7%
185	Federal Emergency Management Agency: Disaster Recovery	DHS	6,466	1,374	−5,092	−78.8%
186	National Park Service—Technical Assistance	DOI	12	12	0	0.0%
187	Workforce Investment Act—Adult Employment and Training	DOL	871	726	−145	−16.6%
188	Comprehensive School Reform	ED	8	0	−8	−100.0%
189	Gaining Early Awareness and Readiness for Undergraduate Programs	ED	303	0	−303	−100.0%
190	EPA Tribal General Assistance Program	EPA	57	57	0	0.0%
191	National Ambient Air Quality Standards Research	EPA	67	66	−1	−1.5%
192	Federal Employees Group Life Insurance	OPM	3,607	3,844	237	6.6%
193	International Narcotics Control and Law Enforcement Programs, Africa/Asia	State	15	31	16	106.7%
194	International Narcotics Control and Law Enforcement Programs, Western Hemisphere	State	61	55	−6	−9.8%
195	Forest Service: Land Acquisition	USDA	42	25	−17	−40.5%
196	Chemical Demilitarization	DOD	1,387	1,408	21	1.5%

PART RATINGS AND PROGRAM FUNDING LEVELS
ADEQUATE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
197	Bureau of Reclamation—Recreation and Concessions	DOI	16	15	−1	−6.3%
198	21st Century Community Learning Centers	ED	981	981	0	0.0%
199	EPA Oil Spill Control	EPA	12	13	1	8.3%
200	Andean Counterdrug Initiative	State	735	722	−13	−1.8%
201	International Child Labor Program and Office of Foreign Relations	DOL	73	12	−61	−83.6%
202	Workforce Investment Act—Native American Programs	DOL	56	53	−3	−5.4%
203	National Technical Institute for the Deaf	ED	56	55	−1	−1.8%
204	Brownfields Revitalization	EPA	162	163	1	0.6%
205	Public Water System Supervision Grant Program	EPA	98	99	1	1.0%
206	Adoption Opportunities	HHS	27	27	0	0.0%
207	Federal Employees Health Benefits	OPM	32,126	34,625	2,499	7.8%
208	8(a) Business Development Program	SBA	38	35	−3	−7.9%
209	Financial and Technical Assistance	Treasury	35	0	−35	−100.0%
210	Civilian Radioactive Waste Management Program: Yucca Mountain Project	DOE	495	544	49	9.9%
211	Workforce Investment Act—Dislocated Worker Assistance	DOL	1,200	976	−224	−18.7%
212	FAA Facilities and Equipment	DOT	2,555	2,503	−52	−2.0%
213	Education—State Assessment Grants	ED	400	400	0	0.0%
214	Magnet Schools	ED	107	107	0	0.0%
215	Projects with Industry for People with Disabilities	ED	20	0	−20	−100.0%
216	Troops-to-Teachers	ED	15	15	0	0.0%
217	Adoption Incentives	HHS	18	30	12	66.7%
218	Nursing Education Loan Repayment and Scholarship Program	HHS	31	31	0	0.0%
219	New Markets Tax Credit	Treasury	8	8	0	0.0%
	Total funding for Adequate programs[1]		335,470	334,744	−726	−0.2%

[1] Funding levels represent program level and include BA, obligations, user fees, loan levels, etc. as appropriate

PART RATINGS AND PROGRAM FUNDING LEVELS
INEFFECTIVE PROGRAMS

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
1	EPA Pesticide Enforcement Grant Program	EPA	19	19	0	0.0%
2	Oil Technology	DOE	32	0	−32	−100.0%
3	EPA Ecological Research	EPA	85	80	−5	−5.9%
4	Workforce Investment Act—Youth Activities	DOL	951	851	−100	−10.5%
5	Trade Adjustment Assistance	DOL	966	939	−27	−2.8%
6	Internal Revenue Service Earned Income Tax Credit Compliance	Treasury	167	168	1	0.6%
7	Natural Gas Technology	DOE	33	0	−33	−100.0%
8	Substance Abuse Prevention and Treatment Block Grant	HHS	1,759	1,759	0	0.0%
9	TRIO Upward Bound	ED	311	0	−311	−100.0%
10	HOPE VI (Severely Distressed Public Housing)	HUD	99	−99	−198	−200.0%
11	Health Professions	HHS	295	159	−136	−46.1%
12	Gallaudet University	ED	107	108	1	0.9%
13	Air Quality Grants and Permitting	EPA	194	160	−34	−17.5%
14	Workforce Investment Act—Migrant and Seasonal Farmworkers	DOL	81	2	−79	−97.5%
15	Project-Based Rental Assistance	HUD	5,037	5,676	639	12.7%
16	Healthy Community Access Program	HHS	0	0	0	0.0%
17	State Planning Grant Program	HHS	0	0	0	0.0%

PART RATINGS AND PROGRAM FUNDING LEVELS
INEFFECTIVE PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
18	Rural Housing and Economic Development	HUD	17	0	−17	−100.0%
19	Alaska Native Village Water Infrastructure	EPA	34	15	−19	−55.9%
20	Community Development Block Grant (Formula)	HUD	3,248	2,975	−273	−8.4%
21	AmeriCorps National Civilian Community Corps	CNCS	27	5	−22	−81.5%
22	Even Start	ED	99	0	−99	−100.0%
23	Community Service Employment for Older Americans	DOL	432	388	−44	−10.2%
24	Safe and Drug Free Schools State Grants	ED	347	0	−347	−100.0%
25	Juvenile Accountability Block Grants	DOJ	49	0	−49	−100.0%
26	Amtrak	DOT	1,294	900	−394	−30.4%
27	Vocational Education State Grants	ED	1,182	0	−1,182	−100.0%
28	Federal Perkins Loans	ED	65	0	−65	−100.0%
	Total funding for Ineffective programs[1]		16,930	14,105	−2,825	−16.7%

[1] Funding levels represent program level and include BA, obligations, user fees, loan levels, etc. as appropriate

PART RATINGS AND PROGRAM FUNDING LEVELS
RESULTS NOT DEMONSTRATED PROGRAMS

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
1	Enforcement of Commodity Futures and Options Markets	CFTC	27	27	0	0.0%
2	Credit Union Loan and Technical Assistance Grant Program	NCUA	13	13	0	0.0%
3	Consumer Product Safety Commission	CPSC	62	62	0	0.0%
4	Office of Surface Mining—State Managed Regulation of Surface Coal Mining	DOI	70	72	2	2.9%
5	Office of Surface Mining—State Managed Abandoned Coal Mine Land Reclamation	DOI	152	151	−1	−0.7%
6	Housing Opportunities for Persons with AIDS	HUD	286	300	14	4.9%
7	Energy Information Administration	DOE	86	91	5	5.8%
8	Drug Courts	DOJ	10	69	59	590.0%
9	Flood Damage Reduction	Corps	1,492	1,197	−295	−19.8%
10	Natural Resources Conservation Service: National Resources Inventory	USDA	0	0	0	0.0%
11	Border Patrol	DHS	1,847	1,862	15	0.8%
12	Coast Guard: Aids to Navigation	DHS	1,095	1,062	−33	−3.0%
13	Marine Corps Expeditionary Warfare	DOD	10,223	9,234	−989	−9.7%
14	Agriculture Marketing Service—Research and Promotion Programs	USDA	3	3	0	0.0%
15	Securities and Exchange Commission—Enforcement	SEC	286	292	6	2.1%
16	Securities and Exchange Commission—Full Disclosure Program (Corporate Review)	SEC	74	75	1	1.4%
17	Coast Guard: Search and Rescue	DHS	886	880	−6	−0.7%
18	Public Defender Service for the District of Columbia	DC	30	32	2	6.7%
19	Office of Surface Mining—Federal Managed Regulation of Surface Coal Mining	DOI	67	67	0	0.0%
20	National School Lunch	USDA	7,415	7,667	252	3.4%
21	Fair Housing Initiatives Program	HUD	26	20	−6	−23.1%
22	Forest Service: Invasive Species Program	USDA	166	165	−1	−0.6%
23	Economic and Trade Sanctions Program—Office of Foreign Assets Control	Treasury	22	23	1	4.5%
24	Mentoring Children of Prisoners	HHS	50	40	−10	−20.0%
25	Wildlife Habitat Incentives Program	USDA	43	55	12	27.9%
26	African Development Fund	Treasury	134	136	2	1.5%
27	Conservation Technical Assistance	USDA	723	643	−80	−11.1%

PART RATINGS AND PROGRAM FUNDING LEVELS
RESULTS NOT DEMONSTRATED PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
28	Fish and Wildlife Service—Migratory Bird Management and Conservation	DOI	124	132	8	6.5%
29	Community Facilities Program	USDA	550	522	−28	−5.1%
30	GSA—National Information Technology Solutions	GSA	6,782	6,401	−381	−5.6%
31	Tropical Forest Conservation Act	Treasury	20	*	*	*
32	Emergency Watershed Protection Program	USDA	300	0	−300	−100.0%
33	Rural Business Enterprise Grant Program	USDA	40	0	−40	−100.0%
34	Montgomery GI Bill- Veterans Education Benefits	VA	1,982	2,041	59	3.0%
35	Inland Waterways Navigation	Corps	934	871	−63	−6.7%
36	Transportation Security Administration: Screener Workforce	DHS	2,529	2,618	89	3.5%
37	Minerals Management Service—Minerals Revenue Management	DOI	78	79	1	1.3%
38	Office of Disease Prevention and Health Promotion	HHS	7	7	0	0.0%
39	Dairy Payment Program	USDA	500	50	−450	−90.0%
40	Coast Guard: Drug Interdiction	DHS	1,219	1,240	21	1.7%
41	Bureau of Reclamation—Rural Water Supply Projects	DOI	79	66	−13	−16.5%
42	GSA—Regional Information Technology Solutions	GSA	0	0	0	0.0%
43	Defense Communications Infrastructure	DOD	3,820	3,760	−60	−1.6%
44	Department of the Interior—Wildland Fire Management	DOI	755	770	15	2.0%
45	Developing Hispanic-serving Institutions	ED	95	95	0	0.0%
46	Strengthening Historically Black Colleges and Universities	ED	238	238	0	0.0%
47	Strengthening Historically Black Graduate Institutions	ED	58	58	0	0.0%
48	Federal Election Laws—Compliance and Enforcement	FEC	21	23	2	9.5%
49	Asian Development Fund	State	99	115	16	16.2%
50	Food and Nutrition Service—Child and Adult Care Food Program	USDA	2,159	2,274	115	5.3%
51	Science and Technology: Threat and Vulnerability, Testing and Assessment	DHS	40	40	0	0.0%
52	International Trade Administration: Import Administration	DOC	61	61	0	0.0%
53	Partnership for Advancing Technology in Housing	HUD	5	0	−5	−100.0%
54	Rural Distance Learning and Telemedicine Loan and Grant Program	USDA	50	25	−25	−50.0%
55	Afghanistan Health Initiative	HHS	6	6	0	0.0%
56	Health Care Fraud and Abuse Control	HHS	320	160	−160	−50.0%
57	Bank Enterprise Award	Treasury	12	0	−12	−100.0%
58	Internal Revenue Service Tax Collection	Treasury	2,106	2,131	25	1.2%
59	Enhancing Education Through Technology	ED	272	0	−272	−100.0%
60	National Archives and Records Administration: Electronic Records Services	NARA	38	45	7	18.4%
61	International Information Programs	State	53	62	9	17.0%
62	Rural Business-Cooperative Service Value-Added Producer Grants	USDA	21	20	−1	−4.8%
63	National Nuclear Infrastructure	DOE	98	97	−1	−1.0%
64	State Energy Programs	DOE	36	49	13	36.1%
65	Fish and Wildlife Service—National Wildlife Refuge System	DOI	386	382	−4	−1.0%
66	Community-Based Child Abuse Prevention	HHS	42	42	0	0.0%
67	Public Diplomacy	State	703	762	59	8.4%
68	Transportation Security Administration: Air Cargo Security Programs	DHS	44	40	−4	−9.1%
69	Bureau of Indian Affairs—K-12 School Construction	DOI	207	157	−50	−24.2%
70	Graduate Assistance in Areas of National Need	ED	30	30	0	0.0%
71	Child Abuse Prevention and Treatment Grants	HHS	27	27	0	0.0%
72	United States-Mexico Border Health Commission	HHS	4	4	0	0.0%
73	Global Environment Facility	Treasury	79	56	−23	−29.1%
74	USDA Wildland Fire Management	USDA	1,646	1,676	30	1.8%

PART RATINGS AND PROGRAM FUNDING LEVELS
RESULTS NOT DEMONSTRATED PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
75	Coastal Storm Damage Reduction	Corps	113	53	−60	−53.1%
76	Fish and Wildlife Service—Wildlife and Sport Fish Restoration	DOI	717	800	83	11.6%
77	International Education Domestic Programs	ED	92	93	1	1.1%
78	CDC: State and Local Preparedness Grants	HHS	824	822	−2	−0.2%
79	Dairy Price Support Program	USDA	42	21	−21	−50.0%
80	Transportation Security Administration: Passenger Screening Technology	DHS	164	173	9	5.5%
81	Coastal Zone Management Act Programs	DOC	109	98	−11	−10.1%
82	Department of Defense Training and Education Programs—Other Training and Education	DOD	1,271	1,291	20	1.6%
83	Preparedness Grants and Training Office State Homeland Security Grants	DHS	564	668	104	18.4%
84	Pacific Coastal Salmon Recovery Fund	DOC	67	67	0	0.0%
85	Job Training Apprenticeship	DOL	21	21	0	0.0%
86	Child Care Access Means Parents in School	ED	16	16	0	0.0%
87	Education—Neglected and Delinquent State Agency Program	ED	50	50	0	0.0%
88	GSA—Office of Governmentwide Policy	GSA	62	65	3	4.8%
89	GSA—Travel Management	GSA	14	15	1	7.1%
90	Head Start	HHS	6,876	6,786	−90	−1.3%
91	Office of Minority Health	HHS	57	47	−10	−17.5%
92	Minority Business Development Agency	DOC	30	30	0	0.0%
93	Smaller Learning Communities	ED	94	0	−94	−100.0%
94	EPA Environmental Education	EPA	9	0	−9	−100.0%
95	Domestic HIV/AIDS Prevention	HHS	651	739	88	13.5%
96	National Bioterrorism Hospital Preparedness Program	HHS	474	474	0	0.0%
97	Transportation Security Administration: Baggage Screening Technology	DHS	441	442	1	0.2%
98	Bureau of Reclamation—Water Management—Project Planning and Construction	DOI	222	175	−47	−21.2%
99	Community Oriented Policing Services	DOJ	387	−23	−410	−105.9%
100	Federal Work-Study	ED	980	980	0	0.0%
101	Physical Education Program	ED	73	26	−47	−64.4%
102	Ready to Learn Television	ED	24	24	0	0.0%
103	Mental Health Programs of Regional and National Significance	HHS	263	228	−35	−13.3%
104	Youth Anti-Drug Media Campaign	ONDCP	99	120	21	21.2%
105	Transportation Security Administration: Federal Air Marshal Service	DHS	686	699	13	1.9%
106	Bureau of Land Management—Land Use Planning	DOI	50	49	−1	−2.0%
107	Bureau of Land Management—Southern Nevada Land Sales	DOI	738	735	−3	−0.4%
108	Emergency Medical Services for Children	HHS	20	0	−20	−100.0%
109	Family Violence Prevention and Services Program	HHS	129	0	−129	−100.0%
110	Runaway and Homeless Youth	HHS	103	103	0	0.0%
111	Transportation Security Administration: Aviation Regulation and Enforcement	DHS	221	218	−3	−1.4%
112	Transportation Security Administration: Flight Crew Training	DHS	30	30	0	0.0%
113	DOL—Women's Bureau	DOL	10	9	−1	−10.0%
114	Impact Aid Basic Support Payments and Payments for Children with Disabilities	ED	1,141	1,141	0	0.0%
115	High Intensity Drug Trafficking Areas	ONDCP	225	207	−18	−8.0%
116	Resource Conservation and Development	USDA	51	26	−25	−49.0%
117	Residential Substance Abuse Treatment	DOJ	9	0	−9	−100.0%
118	IDEA Special Education—Research and Innovation	ED	72	72	0	0.0%
119	GSA—Transportation Management	GSA	23	23	0	0.0%
120	Supplemental Educational Opportunity Grants	ED	771	771	0	0.0%
121	Teaching American History	ED	120	50	−70	−58.3%

PART RATINGS AND PROGRAM FUNDING LEVELS
RESULTS NOT DEMONSTRATED PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
122	Adolescent Family Life Program	HHS	30	30	0	0.0%
123	Independent Living Program	HHS	140	140	0	0.0%
124	Immigration and Customs Enforcement: Automation Modernization Program	DHS	40	0	−40	−100.0%
125	Training and Advisory Services	ED	7	7	0	0.0%
126	Low Income Home Energy Assistance Program	HHS	2,162	2,782	620	28.7%
127	Bureau of Indian Affairs—Housing Improvement	DOI	28	28	0	0.0%
128	Bureau of Indian Affairs—Operation and Maintenance of Irrigation Projects	DOI	38	38	0	0.0%
129	College Assistance Migrant Program	ED	15	15	0	0.0%
130	Office on Women's Health	HHS	28	28	0	0.0%
131	Counterdrug Technology Transfer Program	ONDCP	16	0	−16	−100.0%
132	Adult Education State Grants	ED	564	564	0	0.0%
133	Traumatic Brain Injury	HHS	9	0	−9	−100.0%
134	FHA Multi-Family Mortgage Insurance	HUD	309	316	7	2.3%
135	Counterdrug Research & Development	ONDCP	14	10	−4	−28.6%
136	High School Equivalency Program	ED	19	19	0	0.0%
137	IDEA Special Education—Parent Information Centers	ED	26	26	0	0.0%
138	IDEA Special Education—Technical Assistance and Dissemination	ED	49	49	0	0.0%
139	Teacher Quality Enhancement	ED	60	0	−60	−100.0%
140	Community Services Block Grant	HHS	630	0	−630	−100.0%
141	Veterans Home Loans	VA	7,698	6,634	−1,064	−13.8%
142	Preparedness Grants and Training Office Assistance to Firefighters Grant Program	DHS	648	293	−355	−54.8%
143	Bureau of Indian Affairs—Operation and Maintenance of Roads	DOI	29	26	−3	−10.3%
144	Vocational Rehabilitation Demonstration and Training Programs	ED	7	7	0	0.0%
145	Coast Guard: Polar Icebreaking Program	DHS	85	89	4	4.7%
146	Independent Living for People with Disabilities	ED	98	98	0	0.0%
147	Pesticide Field Programs	EPA	37	38	1	2.7%
148	Commodity Purchase Services (Section 32)	USDA	1,416	907	−509	−35.9%
149	Delta Regional Authority	DRA	12	6	−6	−50.0%
150	Bureau of Land Management—Mining Law Administration	DOI	33	33	0	0.0%
151	IDEA Special Education Grants for Infants and Families	ED	436	436	0	0.0%
152	IDEA Special Education Personnel Preparation Grants	ED	90	90	0	0.0%
153	The Emergency Food Assistance Program (TEFAP)	USDA	196	190	−6	−3.1%
154	Comprehensive Regional Assistance Centers	ED	56	56	0	0.0%
155	Leveraging Educational Assistance Partnership	ED	65	0	−65	−100.0%
156	Pollution Prevention and New Technologies Research	EPA	26	21	−5	−19.2%
157	Native American Housing Block Grants	HUD	622	624	2	0.3%
158	University Nuclear Education Programs	DOE	27	0	−27	−100.0%
159	Bureau of Indian Affairs—Law Enforcement	DOI	193	202	9	4.7%
160	Prevailing Wage Determination Program	DOL	10	10	0	0.0%
161	Multipurpose Law Enforcement Grants	DOJ	517	0	−517	−100.0%
162	Assistive Technology Alternative Financing Program	ED	4	0	−4	−100.0%
163	Public Housing	HUD	6,003	5,742	−261	−4.3%
164	Commerce Small Business Innovation Research Program	DOC	8	7	−1	−12.5%
165	American Printing House for the Blind	ED	18	18	0	0.0%
166	National Writing Project	ED	22	0	−22	−100.0%
167	Tech-Prep Education State Grants	ED	105	0	−105	−100.0%
168	Tribally Controlled Postsecondary Vocational and Technical Institutions	ED	7	7	0	0.0%
169	Preparedness Infrastructure Protection Cyber Security	DHS	146	178	32	21.9%
170	National Park Service—Land and Water Conservation Fund State Grants	DOI	30	2	−28	−93.3%

PART RATINGS AND PROGRAM FUNDING LEVELS
RESULTS NOT DEMONSTRATED PROGRAMS—Continued

(Dollars in millions)

	Program Name	Agency	2006 Enacted	2007 Budget	Change from 2006	
					Dollars	Percent
171	Commodity Supplemental Food Program	USDA	111	0	−111	−100.0%
172	Fish and Wildlife Service—Endangered Species	DOI	330	330	0	0.0%
173	Parental Information and Resource Centers	ED	40	0	−40	−100.0%
174	Social Services Block Grant	HHS	1,700	1,200	−500	−29.4%
175	Housing for Persons with Disabilities	HUD	239	119	−120	−50.2%
176	Housing for the Elderly	HUD	742	546	−196	−26.4%
177	Defense Small Business Innovation Research/Technology Transfer	DOD	1,264	1,282	18	1.4%
178	B.J. Stupak Olympic scholarships	ED	1	0	−1	−100.0%
179	Byrd Honors Scholarships	ED	41	0	−41	−100.0%
180	States Grants for Occupational and Employment Information	ED	0	0	0	0.0%
181	Universal Service Fund High Cost	FCC	3,982	4,367	385	9.7%
182	Impact Aid Payments for Federal Property	ED	64	64	0	0.0%
183	IDEA Special Education Preschool Grants	ED	766	766	0	0.0%
184	Universal Service Fund E-Rate	FCC	2,274	2,405	131	5.8%
185	State Criminal Alien Assistance Program	DOJ	400	0	−400	−100.0%
186	Education State Grants for Innovative Programs	ED	99	99	0	0.0%
187	Veterans Disability Compensation	VA	30,970	35,012	4,042	13.1%
188	Department of the Interior—Land and Water Conservation Fund Land Acquisition	DOI	103	112	9	8.7%
189	National Park Service—Heritage Partnership	DOI	13	7	−6	−46.2%
190	Bureau of Indian Affairs—Tribal Courts	DOI	12	12	0	0.0%
191	Health Care Facilities Construction and Other Miscellaneous Congressional Earmarks	HHS	0	0	0	0.0%
	Total funding for Results Not Demonstrated programs[1]		139,147	135,991	−3,156	−2.3%

[1] Funding levels represent program level and include BA, obligations, user fees, loan levels, etc. as appropriate.

*Tropical Forest Conservation Act Funding for 2007 will be provided within the amount appropriated for debt relief based on the program's ability to demonstrate results in 2006.

**US AID Climate Change Program Funding is included in other programs reported separately. Total funding for this activity was $189 in FY 05, $162 in FY 06, and to be determined for FY 07.

Chairman NUSSLE. Thank you, Director Johnson.

Since you have invited us to talk about results and outcomes, let me focus on two that are in the news. One is, as I referred to, the what appears to be thousands of trailers on a runway in Hope, AR, after Congress very expeditiously and generously provided $62 billion for hurricane victims.

And let me start by asking what is the role of OMB in a situation like that?

Mr. JOHNSON. Well, there is the role of OMB and then there is specifically my role. I am the Chair of the PCIE (President's Council on Integrity and Efficiency) and the ECIE (Executive Council on Integrity and Efficiency), which are the two Inspector General's (IG) groups. So I have worked with Rick Skinner as he took to organize all the IGs related to Katrina and bring a government-wide approach to Katrina.

And I personally worked with the Department of Homeland Security initially and then with the Corps of Engineers, the agencies that were involved in responding to Katrina, to develop stewardship plans for how they were going to make sure that we were spending money on real needs and when we obligated to spend some money, we actually get what we paid for.

Chairman NUSSLE. Well, why were they purchased? Why were these trailers purchased?

Mr. JOHNSON. I don't know the particulars of the trailers. I do know that there was a commitment made in the very early stages of a hundred thousand or so trailers. And as Rick Skinner will say, in those first 72 hours of a disaster, which I think is when these commitments were made, in that very few first few days, there was very few facts. You are dealing with assumptions and extrapolations and estimates. And a bad estimate was made, as I understand it, of how many trailers they needed. The question I would ask is, why did they believe they had to commit, formally commit to those trailers in that first 72 hours?

One of the things that we did in this whole stewardship process was to go back into all the obligations that were made in that first week, which is when you have very few facts to go on, all the obligations that were made and were there obligations that you could lessen, recompete the contract to get a better price, or change the delivery dates. And all those situations where we were able to do that, we took that action.

And I do not know the particulars of the trailers, but the assumption I can make, only from just reading is that we own them and do not need them, is that we were not able to decrease the contractual obligation for those trailers.

Chairman NUSSLE. Well, I do not represent a gulf area. I maybe should defer to somebody who does. But I cannot believe everybody who needs a home has got a home yet. So I mean, I will just tell you, this is one of the most ridiculous things I have ever seen.

So I understand Inspector Generals get together and they look at this and they try and figure out what went wrong and all of that, but does anyone call to somebody and say, guys, move the trailers to the gulf, get them to people who are living in tents still as I understand it? My understanding is people are still living in tents.

Mr. JOHNSON. That would be Homeland Security Council, I believe. OMB——

Chairman NUSSLE. OMB does not give that kind of direction.

Mr. JOHNSON. No, sir.

Chairman NUSSLE. That is what I was asking about the role.

Mr. JOHNSON. No, sir.

Chairman NUSSLE. You do not have a role in that?

Mr. JOHNSON. [Shakes head negatively.]

Chairman NUSSLE. So each and every agency and department has their own authority outside of OMB to make these decisions and OMB's role is to gather the IGs afterwards and find out if—I mean, I am just trying to understand this.

Mr. JOHNSON. Yeah. OMB has no formal role over the IGs. I do as the Deputy Director for Management. We create mechanisms whereby agencies are held accountable for the money they spend.

Chairman NUSSLE. All right. Well, how much was spent for these trailers?

Mr. JOHNSON. I do not know. But I would be glad to get back to you with that information and answer this and any other question you have about them. But I just do not have that information.

[The information requested follows:]

Answer: The 9,993 units now staged in Hope, Arkansas will cost FEMA an estimated $677 million, factoring in both their purchase cost (about $27,000 each) and the distributed cost of various support contracts (about $41,000 each).

Chairman NUSSLE. Well, we are ready to vote on another supplemental. And I got to tell you that, you know, we tried to reduce discretionary spending last year, and we did it. I mean, we got that done.

But on 60 Minutes, there was a—I believe the company's name was Custer Battles which spent $2.5 billion on a contract in Iraq out of defense budget which everybody comes screaming in here every year saying we need more for defense, more for defense, more defense.

I am the guy who said we ought to start planning for it and putting it into the budget. And you all thankfully have at least done that this year, but $2.5 billion—that is pretty darn close to the entire budget for the State of Iowa—to one contractor who according to the people that are watching this over there says that it was borderline incompetent behavior.

So, you know, we have got a real problem on the accountability side, and it is not just the programmatic. My guess is that if you log onto this Web site, you will not find those two instances anywhere on the Web site.

Mr. JOHNSON. There is a Web site for FEMA, but there is not one for trailer purchasing for Katrina. There is not.

Chairman NUSSLE. Of course not, I do not know why they would. I mean, my point is that I think it is great that we are now tracking these programs, but there is an unbelievable and indefensible amount of resources that are still falling off the table and being wasted inappropriately.

Mr. JOHNSON. To add to that comment, the Federal Government makes incorrect payments, improper payments each year to the tune of $45 billion per year.

Chairman NUSSLE. Incorrect payments to whom?

Mr. JOHNSON. To somebody that we are not sure is supposed to get it.

Chairman NUSSLE. These are individuals? These are companies? These are for contracts? These are soup to nuts?

Mr. JOHNSON. Yes.

Chairman NUSSLE. That is the total amount of——

Mr. JOHNSON. Forty-five billion dollars a year. The universe of programs that are most susceptible to improper payments, because some decision has to be made about who qualifies for a benefit or is this the right amount for this contract, it is like $1.4 trillion. And the error on that $1.4 trillion based of audits of accurate and inaccurate payments, proper, improper payments is about 3.8 or 3.9 percent. A 3.8 or 3.9 percent error rate sounds pretty low except it equates to $45 billion.

Now, our goal is—and the purchase of——

Chairman NUSSLE. Billion.

Mr. JOHNSON. Billion.

Chairman NUSSLE. B, billion.

Mr. JOHNSON. This is not hidden. This is in our financial reports to you all. This past year, for instance, the purchase of the delivery of benefits to Katrina victims that were unauthorized, somebody

that had a fake Social Security number or whatever, that is an improper payment.

The buying a trailer that we did not need, that is an improper purchase. That is not an improper payment, but that is an improper purchase. But the error rate is 3-point-something percent, that should be zero.

This past year, for instance, efforts were taken to, for the first time, consistently across the government to reduce improper payments. That number, $45 billion, was reduced 17 percent, $7.8 billion. That still means that there is $37 billion in improper payments.

So we have a long way to go to make sure that we are spending every dollar on a real need and that we are getting what we pay for. There are lots of indicators that suggest that we do not always spend our money where the need is and that when we spend it, we do not always get what we contracted for.

And all I can tell you is we are better at it today than we were last year, and we are better last year than the year before. However, we have a good ways to go still.

Chairman NUSSLE. We have votes on the floor. Let me yield to Mr. Spratt for time he would like to consume at this point.

Mr. SPRATT. Mr. Johnson, I want to go back to a point that I made in my opening statement, namely that there is a bewildering pattern of what gets approved and what does not get approved. It does not seem to correlate completely with the PART assessment.

For example, I gave an issue for proliferation prevention and the gravity of the threat, that is nuclear terrorism. It got an effective PART rating, but the budget eliminated all funding for it. Can you explain that?

Mr. JOHNSON. I do not know the particulars of that program, but I would be glad to get back to you and will do that. I do have a couple of examples of one that was rated effective that is recommended. Similar situation, but it is not that particular program. It might be illustrative.

[The information requested follows:]

Answer: Funding for the "Global Initiatives for Proliferation Prevention" was not eliminated but the program was shifted in FY2007 to a different organization within NNSA. The Administration has not proposed to reduce any of the NNSA nonproliferation efforts.

Mr. SPRATT. Public Diplomacy, State Department, I believe that is Secretary Hughes, Karen Hughes.

Mr. JOHNSON. Yes.

Mr. SPRATT. Rating results not demonstrated, but it was approved, fully funded notwithstanding that rating?

Mr. JOHNSON. Yes. They are not able to demonstrate the outcomes that are resulting from their public diplomacy efforts. We know what is important. We know we have to become more results oriented.

If you might, let me give you two examples——

Mr. SPRATT. Sure.

Mr. JOHNSON [continuing]. That, I think, touch on this. And then I can get back to you with a response to those two specific programs.

There is a program called Gear Up in the Education Department that is rated adequate. And it is an attempt to encourage students to take more challenging courses to better prepare them for college. It is rated——

Mr. SPRATT. Trio and Gear Up are companion programs——

Mr. JOHNSON. I am sorry?

Mr. SPRATT. Trio and Gear Up are companion programs to take kids from families that have not been college bound, college oriented in the past, and to help them make curriculum choices and college choices and find financing and do things that is otherwise Greek to them. Two good programs——

Mr. JOHNSON. Right.

Mr. SPRATT [continuing]. Just based on my personal observations in my——

Mr. JOHNSON. Right.

Mr. SPRATT [continuing]. Because I come from a district with lots of kids like that.

Mr. JOHNSON. Right. That has been proposed for termination, and the reason is—it is an effective program, but we believe that the administration's High School Reform Initiative deals with that aspect and other aspects and will be a more effective results-oriented way to deal with that and related issues.

So it is not that we do not believe that the goal is not worthwhile, but that there is an even more effective way of accomplishing that goal. So you do not need to have duplicative programs. We are proposing that you terminate one and replace it with one that dealt with that and other matters.

There is a program, the project-based——

Mr. SPRATT. The budget cuts education by $2.2 billion and it eliminates 42 other programs, some of which have related purposes, in order to save $4.1 billion. How do you fund this alternate or substitute program with a budget that is shrinking?

Mr. JOHNSON. I do not have the particulars on that, but I would be glad to get back to you on the particulars of the High School Initiative.

[The information requested follows:]

Answer: The Administration proposes to consolidate funding from the seven narrow purpose programs that support a particular high school intervention strategy and to redirect it to the President's High School Reform program. While such programs were intended to support promising educational approaches, most lack strong accountability mechanisms and have largely failed to demonstrate measurable results despite decades and billions of dollars of investment.

Furthermore, because the Federal Government sets annual spending levels for each of these programs, States and school districts do not have the flexibility and control to allocate funds to activities they determine will best meet the needs of at-risk students.

These programs would be replaced by the new $1.5 billion High School Reform program which will provide States with flexible funding to support a wide range of effective interventions. In return for this flexibility, States would be held accountable for improving student achievement and graduation rates. These new initiatives would augment new or expanded high school activities that are being proposed by the President, including $100 million for Striving Readers and $380 million in new funding for programs that are part of America's Competitiveness Initiative.

The strategies supported by the existing programs—vocational training, mentoring, and partnerships with institutions of higher education to prepare students for college—would be allowable activities under the new High School Reform program. The Administration expects that States and localities would continue those projects supported under existing programs if the projects are performing effectively

and reaching students who need them most. During the initial years of the program, the Administration would honor its commitment to fund multi-year continuation awards under the current programs.

Mr. SPRATT. We would appreciate it. And, once again, it is no reflection on you. I respect what you are doing.

I worked once with the Defense Comptroller in a similar effort to establish something called a Selected Acquisition Report, which is woefully inadequate for the job. We are talking about small potatoes right now compared to military procurement. The investment accounts at DOD are running $125 billion for research, development, procurement, production.

And do you feel that you have an adequate baseline, for example, with respect to those programs against which to measure cost, performance, and schedule?

Mr. JOHNSON. I do not know the particulars of those specific programs. I hate to keep answering your questions that way, and I know it must be frustrating for you.

But I know for all programs, we do have, because we insist on it—and if they do not have it, their rated results not demonstrated—we require all programs to have a clear definition, a measurable definition of what the desired goal is and what the desired cost level is for the money that they are being given to spend each year.

And when we first started rating programs in 2002, only 45 percent of the programs could demonstrate that they were performing; 55 percent were either rated ineffective or they could not demonstrate a result. Today that number is 70 percent. So there is more attention today than in 2002 being paid to——

Mr. SPRATT. One quick question. We will come back to it. International Affairs gets a $3 billion increase this year, and that is more than 10 percent. Sticks out as a spike in the budget which otherwise is pretty stingy with allocation for new money.

Three billion dollars, are you seeing that kind of performance justification in international aid programs and the International Affairs Program?

[The information requested follows:]

Answer: The 2007 Budget requests a large percentage increase for international affairs programs because 2007 represents a critical year for American foreign policy. The largest proposed increases are targeted to programs that will greatly expand the number of people who receive life-saving treatment for HIV/AIDS; help strengthen the democratic government in Iraq, Afghanistan, and elsewhere; or will help countries with good governing practices grow their way out of poverty through the Millennium Challenge Account. (These initiatives account for over three-fourths of the proposed increase in international affairs funding.)

Nearly $1 billion of the proposed increase is for the President's Emergency Plan for AIDS Relief, which is achieving measurable results and saving lives. In 2003, only 50,000 people in sub-Saharan Africa received treatment. With 2007 funding, the number of people receiving life-saving treatment in Africa and the Caribbean focus countries will increase from over 400,000 supported by the program in FY 2005 to 1.3 million. This Budget will keep us on track to reach the President's goals supporting lifesaving treatment for 2 million persons, prevention of 7 million new HIV infections, and care for 10 million persons infected or affected by this disease after 5 years of funding. The Budget also includes funds to fight malaria in Africa and around the world and to build global capacity to prevent and respond to a potential influenza pandemic.

Another $1.2 billion of the proposed increase is for the Millennium Challenge Corporation (MCC), which expects to approve a total of 21 transformational Compacts by the end of 2007 totaling up to $6 billion. MCC has already achieved results and encouraged countries to adopt political and economic reforms. MCC is expected to

have even more positive and transformational results when disbursements increase significantly in FY 2006 and FY 2007 as the first group of signed compacts move beyond the initial implementation stage. To sustain results, Compacts need to be large enough to have a transformational impact.

The proposed increases also includes $771 million to transition U.S. assistance to Iraq from the large scale approach that was needed to quickly repair 20 years of neglect to a "capacity-building" approach that will help Iraqis build and sustain a democratic society and healthy economy. This budget request is closely linked with the President's National Strategy for Victory in Iraq, helping Iraqis defeat the terrorists and rebuild their nation.

Mr. JOHNSON. Again, I am not familiar with the specifics of that program. I apologize.

Mr. SPRATT. Well, we will come back.

Thank you very, Mr. Chairman.

Chairman NUSSLE. Mr. Spratt, I am told there are two votes on the floor now, this one and then followed, we believe, by another vote. So we will recess and then come back after that second vote.

Thank you, Mr. Johnson.

We'll stand at recess.

[Recess.]

Chairman NUSSLE. The Budget Committee will resume. I believe when we left off, Mr. Spratt was in the middle of his questions. Let me return to Mr. Spratt for any more time he wishes to consume.

Mr. SPRATT. Thank you, Mr. Chairman.

Mr. Johnson and I were talking during the recess. And the question I was about to ask him, I will ask him so he can give me the answer he gave me off the record. And that is one would expect if this system is working that as you look through the budget, some rational pattern will begin to emerge. Namely you would see those things that were scored well and highly by PART getting funded, maintained, even increased, and those things that were not getting decreased.

I do not see that pattern here because as I look through it, part of the problem is I do not know what the PART's scores is, but I see programs that in my own experience I regard as highly effective.

I will give you an example, the Economic Development Administration. The administration frequently wants us to cut it out. Every time it goes to the floor, there are 435 members, 400 of whom have seen its positive results in their district and they rise up in support of the program, last year CDBG was to some extent the same way.

But where is the rational pattern, the correlation between your PART assessment and budget funding?

Mr. JOHNSON. Two answers, two aspects to the answer to that question. One of them is, the greatest use of the program assessment is to improve program performance. A secondary use of the information is to inform the budget and appropriation decision.

We cannot hold program managers accountable for improving the performance of their program every year unless we have clear definitions of what their performance and financial and cost goals are. And until they have laid out for us what their program performance plan is, we cannot hold them accountable for achieving desired goals if they cannot define them.

So the primary purpose of this is to let us cause programs to work better. A secondary purpose, but very important, is to inform what you all do here and what the appropriators do. There is a

general correlation. The programs that were rated ineffective in the 2007 budget, we are proposing—there are 28 of those programs—the sum of all those budget proposals is minus 16.7 percent 2007 versus 2006.

The programs rated results not demonstrated, there is a minus 2. something percent 2007 to 2006 budget. Some of those programs might work. Some of them do not work. We just cannot demonstrate whether they work or not, and they are working on it.

The programs that are rated effective have a zero percent increase. The programs that are rated moderately effective have a plus 2.2 percent. Programs rated adequate have a minus .2 percent.

There is a general correlation, but there is nothing that happens automatically as a result of programs assessment. It is one of many factors. Priorities are another factor, and buplication is another factor. There are several things that go into the decision about what the budget proposal ought to be.

In some cases, we propose additional funding because we need to build extra safeguards in, extra quality control, extra compliance activities that will give us the return on the investment that we believe is possible.

Mr. SPRATT. Well, let me give you an example. When we had the debate on the floor just weeks ago about stiffer sanctions and penalties for immigration, one of the arguments raised was that even if you have stiffer sanctions, you do not have the personnel, border patrol, immigration and customs enforcement, and the elsewhere to implement and carry these out. So you are putting the cart before the horse. You need people out there who will actually implement the rather stiff and rigid rules we have got already.

The typical response to that amongst those who were supporting the bill was, what we want to do is enlist the support of State and local law enforcement, engage them along with the border patrol and the customs and others in the process of enforcing immigration law.

As I understand it, the chief program for that purpose in the Justice Department is the State Criminal Alien Assistance Program—it is zeroed out completely. One week we hear this argument on the House floor, part of the passage of a big, major initiative in immigration law toughening. The next week we get the budget and the principal account that would fund what they are touting is gone altogether.

How did a program of that apparent importance get zeroed out altogether? Do you have any idea?

Mr. JOHNSON. I do not on that particular program. Again, I apologize.

[The information requested follows:]

Answer: The 2007 Budget proposes to terminate SCAAP. Due to SCAAP's lack of adequate goals and performance measures and the fact that it can not demonstrate results, as well as other Federal efforts to strengthen immigration enforcement, the Administration proposes to reallocate funding to other priority needs such as Federal counterterrorism, immigration enforcement, and other efforts.

But what we are able to do now, I believe, that we were not able to do 5 years ago is to take immigration, whatever the issue is, and define specifically what the definition of success is. What are our goals? How do we measure success, the turnaround time, catching

the bad guys, incident rates? What are we trying to accomplish? What are our plans for accomplishing that? What sort of resources are we devoting to accomplishing that?

So we do not get into philosophical arguments or $1 billion sounds like more than $900 million. We can talk about our resources and our commitments and our accountabilities are relative to what we are trying to accomplish. Therefore, it is a more intelligent, professional, results-oriented conversation as a result of having this information.

Mr. SPRATT. Well, let us take education. The President touted that particularly math and science education in the State of the Union message. The budget he sent up shortly thereafter cuts education by $2.1 billion overall. It is way short, $15 billion below what was represented as the authorized level for No Child Left Behind. Forty-two programs are eliminated.

Did you find 42 programs in education that did not pass muster, that did not have a positive assessment rating?

Mr. JOHNSON. As I mentioned earlier, a reason why we recommend that programs be eliminated is some are due to performance, some due to duplication, some due to the fact that there is a better solution, we believe, a new program that will replace the program that was already there. There are many——

Mr. SPRATT. Well, 42 programs is the better part of the universe of all of the education programs after Title 1, Elementary, and Education——

Mr. JOHNSON. Education is full of a large number of very small dollar programs. I do not know what the dollar value of those program elimination proposals are, but there are a lot of small programs.

Mr. SPRATT. Let us take Head Start, a successful program. You hardly have to argue for it because everybody knows whom it affects and helps, and they have seen the results themselves. And, furthermore, we have had various outside consultants over the years like Mathematica come look at and say you are getting a positive return on your money. Down the road, there was some speculation years ago that it washed out by third or fourth grade. But, nevertheless, it certainly helped these kids over the threshold into the first and second grade.

It has not been too long ago when this Committee said we are going to balance the budget, but there are a few things we are going to squirrel away and protect. Head Start was one of them. This year Head Start is frozen.

Do you know if you found that Head Start was not worthy of any increase at all, even though it only reaches maybe 50, 60 percent of the eligible kids?

Mr. JOHNSON. What I understand of the assessment of the Head Start Program showed is it is rated results not demonstrated. They are not able to demonstrate quantifiably the impact that they have on the target population. There was a lot of anecdotal information, but they are not able to demonstrate tangible impact.

So the challenge there is to go out and better understand and better define the desired outcomes and be able to measure them.

We talked when I was in here the last time about CDBG and because there was another venue, there was a lot of conversation

about what the funding for that ought to be and whether they all ought to be combined and moved to Commerce and so forth. And that is also a program where a lot of Members of Congress like that program, CDBG. One of the reasons is a lot of them used to be mayors and it is a lot of no-strings-attached money. And there were some knowing smiles, I think, in this panel when we talked about that.

But meanwhile, it is difficult to quantify that they are having the desired impact, creating economic vitality where it would not otherwise exist. And that is what the program is designed to do.

So anecdotal evidence is better than no evidence, but we want, with all these programs, to be able to go beyond the anecdotes and be able to say we are taking measurements and here is, in fact, the impact that it is having.

Mr. SPRATT. Two more questions and then I will turn it over to others. I am using more than my fair share.

But defense. Do you feel that you have an adequate grasp of defense programs, the investment programs, R&D, and production, procurement programs?

With the PART system that you have in place now or are developing, are you able to baseline the initial representations as to cost, performance, and schedule and then track them quarter by quarter or year by year as the system progresses?

Mr. JOHNSON. I do not have the details. I would bet we do not have it to your or our satisfaction. Some programs are very difficult to measure that the Federal Government is involved in. Research and development are some of the more difficult ones. Buying large weapon systems——

Mr. SPRATT. Well, typically, DOD will not draw you a baseline until they are well along in R&D, to engineering and development. Then they can define the cost much better. So they win that argument. They get a postponement of the commitment to their specifications until they put them down in engineering form.

Mr. JOHNSON. They are not the only ones that are not doing as well as we all would like. As I mentioned earlier, we spend a lot of money, and every dollar we spend, we are buying something. Whether we are buying a weapon system, a better-educated child, or we are buying a new computer system. We are particularly bad in investing money in new computer systems, and the more money we spend, the worse we are at it.

A reason why we wasted a lot of money at FBI with their Case Management System was they never defined up front what it was, the functionality, what we were trying to do with this new Case Management System. If we are not—this is to your point about weapon systems—if we are not clear at the outset, disciplined and knowledgeable and clear at the outset about what we are trying to do, we are going to make a bad purchase decision.

Mr. SPRATT. Take ballistic missile defense (BMD), for example. If you go all the way back to the mid 1970's when Safeguard was started and add everything up and raise it to a present value, I would guess that the total amount we have spent is $150 billion.

We are about to field one system, a ground-based interceptor, but there is a galaxy of other systems, interceptors of different sorts, kinetic and laser and directed energy and what have you. There

are a lot of other ancillary programs like Sibbers Low and Sibbers High which are not performing well. Yet, BMD is getting an increase this year of $1.7 billion.

Did the Office of Management and Budget (OMB) pass judgment on that increase and did you apply the PART application, the PART analysis to that program to determine whether or not it was worthy or warranted of an increase of that magnitude?

Mr. JOHNSON. Again, the PART would be one of the factors that anybody would look at. OMB is integrally involved in the development of all budgets including DOD's budget. So when the budget comes up here, OMB is saying we sign off on this. So, yes, we are involved in that. I do not know what the PART assessment——

Mr. SPRATT. Well, several years ago, they put into play something they called spiral development. They call it capabilities management. You do not represent you are going to do something. You simply say that you are going to pursue it to the limit of its capabilities and you are going to spiral upward until you eventually attain your goal.

Doesn't that take what you are trying to do and kind of throw it into a cocktail?

Mr. JOHNSON. Yes.

Mr. SPRATT. Have you had that problem with ballistic missile defense, trying to figure out what the baseline is against which you are measuring, cost performance and schedule?

Mr. JOHNSON. If we are not able to clearly define what it is we are trying to purchase, we are going to make a bad purchase decision.

Mr. SPRATT. Thank you very much for your testimony.

Chairman NUSSLE. Mr. Ryun.

Mr. RYUN. First of all, I would like to begin with just a comment and I do have a question. I know when we left for votes, you made a comment with regard to decision makers within the Government, how they control approximately $1.4 trillion with an error rate of roughly 3.8 percent which, if you do the math on that, it comes out to about $45 billion a year.

And I think I can speak for most everyone here, that is a lot of money. And in a sense, it is a question, but it is really a comment. I think the 3.8 percent error rate can be reduced and improved upon. Certainly as Republicans, that is what we are doing, you know, looking for ways to save money and it is what this hearing is in part about.

So my point is I would like to see if you can't take a message back that $1.4 trillion, as far as we are concerned, is too much money with regard to the error rate, and see if we can't lower that error rate. That is certainly a lot of dollars back home that people who send their tax dollars in would like to see greater accountability.

I would like to address the question that actually the Chairman brought up, and that is with regard to the money that was sent for FEMA in the last hurricane situation. You know, we were told they needed a lot of trailers and those trailers, as has been acknowledged, are sitting on a runway in Hope, AR.

And it is my understanding that part of the reason that they did not arrive at their destination is that where they would go is in a

floodplain. Now, if that is really true, my question is, is there some way that Federal agencies and FEMA and your area of authority can work together to address those problems ahead of time so that Congress is not asked to write checks that ultimately really, should be addressed in a more accountable way?

In other words, can you help us with regard to agencies asking those questions? You know, if you are going to build trailer homes and you are going to build them in an area where there is a floodplain problem, why don't we address that before we build the trailers and spend the money?

Mr. JOHNSON. Right. This is a broken record. I do not know the particulars of the trailer situation. I read and hear that there are a lot of communities that do not want trailers. Trailers are an effective way of housing displaced persons, however, the communities do not want trailers.

So, I do not know if that is a primary factor, why they are on the runway unused or not. I do believe that FEMA would tell you that they bought more trailers than they needed. They make the commitment in those first few days when the facts were few and they feel like they needed to make a commitment then. Looking back, I bet you they would do it differently.

So I do not think they are saying we made the right decision when we purchased those trailers. I cannot answer the question about why they are sitting in Hope, AR, and not somewhere with families in all of them.

One comment about the improper payments. There is an initiative to eliminate, not reduce, eliminate improper payments. Every agency—there are 11, I think it is—that are involved in our improper payment elimination effort where they are required to audit all the programs susceptible to improper payments to find the level, to find the causes, implement a plan.

It is about a 10-year plan, 8- to 10-year plan. We reduced it 17 percent last year. The 17 percent was what we had planned to reduce it in the first 3 years. So we got a huge jump on it. There is a huge commitment to reduce this.

I can give you information by agency. There is a report already that comes out that lays this out, that can tell you what each agency is doing and how much they reduced it and by program. And I will be sure you get a copy of that. We are very public, very candid about this. We have laid out our goals. This is not something we want to cut into. This is something we need to eliminate.

Mr. RYUN. I am going to follow-up with one more quick question. As part of your PART assessment, you present this as a useful way of weeding out wasteful programs in the budget. But I would like to look at a way or ask you how you might address those programs that are successful, how you would wean those out.

I mean, when a community becomes dependent and then becomes independent because those programs are working well, is there something that you would recommend as an assessment for these programs that have become successful and perhaps could move on?

Mr. JOHNSON. They move on because we do not need them anymore.

Mr. RYUN. Yes. As they become——

Mr. JOHNSON. Well, that is part of the assessment is, is there another provider of services that produce the same thing? Has it achieved the desired goal? There are several programs—Hope Six is one in particular—that has achieved the desired goal. And there are other ways of dealing with the same issue that are more effective and more efficient. So our proposal is that that be eliminated.

So I think the current process does look at programs that have served their purpose or the need is less or the need is a lower priority. And there is nothing to prevent us from recommending, even though it is an effective program, from recommending that it be reduced or combined with another program.

The primary purpose of this is to cause programs to work better, and that means we want great programs to be outstanding, even greater than great. We want medium programs to be great and we want not-performing programs to be performing. Separately, there is the use of information to inform how much money goes to each of the programs. But there is nothing in either case that happens automatically as a result of the assessment.

When we first went out and started evaluating programs in the executive branch, there was a lot of resistance from the career employees because they thought, oh, this is an attempt to get rid of programs and get rid of me. I am going to be seen to be working with a program that does not work. That means my job is in jeopardy. It took them about 18 months to understand this is all about programs working better.

There is another process that decides whether a program stays or goes, but our dealing with each agency is focused on programs getting better. And we cannot work with them to get programs better if we do not know where we are now and what we think the program's strengths and weaknesses are and what the opportunities to make it better are.

So only with an assessment, initial assessment, can you have intelligent discussions about going forward, and can you have candor and transparency with regard to—that allows you to hold someone accountable for actually moving from where you are now to some higher state of affairs.

Mr. RYUN. Thank you for your answer and thanks for coming before this Committee.

Mr. JOHNSON. Sure.

Chairman NUSSLE. Mr. Baird.

Mr. BAIRD. I thank the chairman. I thank the gentleman.

I just want to raise a couple questions about the PART Program. First of all, I applaud the notion that we would evaluate the efficacy of programs. And I have never been one that we just throw money at a program and pat ourselves on the back. So I commend you for that, but I have some concerns about the PART Program, and let me share with you why I have concerns.

First of all, David Walker has testified and written a document December 14 to Comptroller GAO that a great number of Federal agencies do not have their books in order well enough for him to complete an audit, an adequate audit. Given that, it would follow to me that it is a fairly difficult task to decide, since we do not know how the money is actually being spent, whether or not a par-

ticular program is or is not meeting its goals. So that would be one point.

But sort of more directly, I believe that you have a problem in this administration getting accurate information from employees. I have talked to VA staffers about whether or not they have the resources to do their jobs, and they have told me point blank, I will tell you we do not, Congressman, but if you reveal my name publicly, I will lose my job. In an environment like that, I think you are going to have some skewed data.

Third, and this is most relevant, I suppose, you have identified programs in your PART analysis as ineffective and propose to zero them out when the people who are involved in those programs—and I do not think these are just self-serving, protect-my-turf people—tell us it is absolutely essential for the survival of their programs.

And let me give you two examples. One is the Perkins Program——

Mr. JOHNSON. The what program?

Mr. BAIRD. The Perkins Program, the vocational grants. Now, I have read the documentation. We got it off of the Web during the break. You have proposed zeroing out Perkins.

I can tell you the vocational schools and the community colleges that I represent say they cannot meet their mission if you zero out Perkins. Perkins' monies are used to provide things like drill presses, saws, nursing equipment depending on the vocational program. That is the money they use to get the equipment you need to train people.

Now, I have looked through the assessment and it looks actually like you have got some pretty good indicators of achievement. Now, admittedly, there are some States that have not reported, but you have reported it as not meeting any of its goals and zeroed it out. And that is so at odds with, I think, some of your data. I will not say objective data, but I will say data. But it is clearly at odds with the empirical experience of the people out in the field.

A second example that I think is very relevant is when it comes to fighting methamphetamine. And I will tell you that the National Association of Counties has identified this as the single-biggest drug problem in the country. It is behind a great deal of crimes of all sorts throughout our communities.

And, yet, this is what the administration has proposed for this, a $353 million reduction in the Safe and Drug Free Schools Program, complete elimination of the Edward Burn Grants Program, $388 million complete elimination of Justice Assistance grants, $376 million to the Cops Program.

Now, I know the administration has proposed a very modest, I think, $80 million increase in drug courts. And that is to be appreciated, but the net cut is over a billion, $1.4 billion.

So I have two questions, and I know it is difficult. We cannot expect you as one person to know all of these categories. But here is a broad-based question I think you can answer.

If I look at Perkins and I look at Burn Grants and Cops, et cetera, and you say we are going to zero these out, where in your report or the PART analysis have you reported on the impact of zeroing out the programs because it seems to me sound management

strategy would say, OK, we may not be sure this is meeting its goal, but what are the consequences if we zero it out? How many officers off the street? How much less investigatory potential? How many students will not be able to get a vocational education and, therefore, drop out of high school and become other statistics that we do not want? Can you address that issue?

Mr. JOHNSON. Let me try. It will necessarily be at a very high level. First of all, there is a document we put out in the last week, I think it was, that goes through the 141 recommendations for reduction or elimination. And it goes into the rationale for the recommendation for each program.

Performance is not the rationale or the primary rationale for all of them. It is for some, but fFor others, it is duplication, because there is a better solution. So the specific answers to the programs you have asked about are in that document, and I would be glad to make sure you get one.

Mr. BAIRD. I would like to look at that. My assessment is, as I have looked through the rest of the budget, and we do not usually supplement, we usually are just cutting or you are putting out the administration's favorite program that made a good sound bite in the State of the Union, but you do not adequately fill in the gap.

Mr. JOHNSON. This is a very high level and I bet you it is unsatisfactory for you. But we believe that you have to focus on your priorities. You have to live within your means. And that is why increases in budget are entertained for Homeland Security and the Global War on Terror.

An important priority is also the vitality and vibrancy of our economy and, therefore, that is why we believe that taxation at historical levels, not higher, is very important. And there is a conflict there. You do not have all the money to do all the things that somebody, some segment of our population would like us to do.

Mr. BAIRD. So I respect that and——

Mr. JOHNSON. Choices have to be made.

Mr. BAIRD. I respect that. So I think the choices you are saying is that we are choosing, the administration is choosing in its budget proposal to leave our communities less well protected against methamphetamine, less able to enforce our laws that restrict drug trafficking this, less able to educate our kids so they do not get involved in methamphetamine, less able to educate our kids in vocational education, et cetera, in order to prosecute the War in Iraq and push forward the tax cuts. Those are the choices I see.

Mr. JOHNSON. Let me be real clear. That is not what the administration is saying. I know on the Drug Free Schools—I believe this is correct—the reason that is recommended for elimination is it is a very little bit of money to be spread all across the United States. And so there is a pittance that goes to each school or each school district and it is not enough to have any impact whatsoever. And so, therefore, the money that we are spending now is wasted.

Mr. BAIRD. I can guarantee you on Burn Grants and Cops, if you talk to my local law enforcement officers, and Perkins, they do not say it is a pittance, it is an absolute essential. I know that my time is up.

Mr. JOHNSON. Yeah. But I would suggest that the question to the administration ought to be or to the agency that is working this—

I guess it is a number of agencies—is drugs and schools, what are we doing? What is the Federal Government doing, what is the State, what is the local governments doing, private sector? What is happening and is the total effort, not just the federal, is the total effort adequate to address the opportunity to do good, the need.

Chairman NUSSLE. Mr. Hensarling.

Mr. HENSARLING. Thank you, Mr. Chairman.

Mr. Johnson, first let me applaud you personally, OMB, the administration for the PART Program. It is, as you know, fairly novel in this city to judge the effectiveness of a program by any other measurement besides how much more money can we spend on the program next year than this year. So any step in the direction of accountability is one that certainly deserves high praise.

I believe that OMB has now performed 800 assessment summaries——

Mr. JOHNSON. Yes.

Mr. HENSARLING [continuing]. Is that correct? Sounds like there is still a lot of work to be done. How many Federal programs are there out there? I saw a report from the Heritage Foundation that led me to believe the number was roughly 10,000. Is that in the ballpark?

Mr. JOHNSON. Well, you can define a program as a combination of a bunch of little ones or one big one. Generally the number we have used is there is about 1,150 or so programs. What we think we have done, reasonably we have done, is we have evaluated 800. Those are programs that account for about 80 percent of the budget.

So we will assess programs that account for the remaining, roughly the remaining 20 percent of the budget this next year. I mean, it will be 90 something percent of the budget. But it is in the 1,100 plus or minus is the way we think of the number of programs.

Mr. HENSARLING. Well, I certainly will expect to spend some more time on expectmore.gov and learn more about your program, but kind of a philosophical question. It is one thing to measure the effectiveness of a program. It is another thing to incent the effectiveness of a program.

Given that all too often still the incentive structure is for people to want to increase their budget, increase the number of programs they administer, increase the number of employees, how can you ever expect the bureaucrat planted deep in the bowels of Commerce to have an incentive to be a good steward of the taxpayer money? What is it we can do in Congress? What is it the administration can do?

Mr. JOHNSON. Well, one, employees tell me, managers tell me that they welcome transparency about how their programs are working. As we see, 70 percent of the programs are deemed to be effective to some degree. That is not well understood. So it is incentivizing to have it known that this program is excellent, moderate, so forth, or adequate or so forth.

So transparency is good, and being held accountable is good. The thing that we think is very, very important is now that they have tools, now that we have a clear definition of what programs are

supposed to be doing, it is important to ensure, to require agencies to better manage, develop, and reward their employees.

And that means that every individual's performance evaluation needs to reference the performance goals of the program they work on and they need to clearly understand, have a clear definition from their boss what is expected of them as it relates to the performance of the program.

And our proposal in draft form this past year and more formal form going forward will be that a part of person's pay raise be tied to their individual performance.

Mr. HENSARLING. Sounds like an excellent idea. Let me change subjects on you.

Apparently the administration will send out very soon a new $18 billion supplemental appropriation request for further funding on Katrina relief. This is on top of, I believe, roughly $88 billion that has already been approved, with another $8 billion roughly in tax incentives.

We all know where the budget is headed in generations to come. I am under the impression that the administration is going to send up this supplemental request without offsets.

So my first question is, is that correct and, if so, why isn't the administration offering offsets?

Mr. JOHNSON. The one part I know is they are sending it up this afternoon, I think it is, or shortly. But that is the only part of it I know for details, I mean in terms of details.

Mr. HENSARLING. OK. A different subject. I notice that you assessed the effectiveness of a number of DOD programs. If I am reading the budget correctly, since we continue to essentially fund the War on Terror through supplemental requests, non-War on Terror, DOD spending is due to increase almost 7 percent in this next budget. That strikes me as a very, very large number if that is not associated directly with conducting the War on Terror.

Surely the Pentagon is not immune from waste and fraud, abuse and duplication and ineffectiveness and lower priority spending. What is the administration doing about all that?

Mr. JOHNSON. Well——

Mr. HENSARLING. Why do we have 6.9 percent increase?

Mr. JOHNSON. Why what?

Mr. HENSARLING. And why the 6.9 percent increase?

Mr. JOHNSON. The next time I come up here, I am bringing a budget person. Everybody will be happier, starting with me. But you all——

Mr. HENSARLING. You are the only guy here.

Mr. JOHNSON. But you all will be getting answers to your questions as opposed to this shuck and jive that you are getting from me.

We did not start with 6-point-something percent and then back into it. It was a buildup, and OMB worked with the Defense Department to develop their budget. And it is designed they want to accomplish this and here is how much money they believe is required to do that.

So it is very goal oriented. It is tied where we have program assessments. Program assessments is a factor in that discussion. But

the goal, they want to spend X amount of money to accomplish this and Y amount of money to accomplish that.

So it is focused on individual goals, and that is what the budget should present to you. That is one of the reasons why we are proposing and worked with both Houses of Congress to better accomplish the things you are talking about, Mr. Cuellar, is performance budgeting. Tell me here is what we are going to spend and here is why we recommend spending this amount of money. We want to spend this amount of money to accomplish X.

Mr. HENSARLING. Well, thank you for your testimony. I am out of time, but I do look forward to hearing exactly what these non-War on Terror goals are.

Chairman NUSSLE. Mr Cooper.

Mr. COOPER. Thank you. I will reserve my questions for the next time.

Chairman NUSSLE. Mr. Cuellar.

Mr. CUELLAR. Thank you, Mr. Chairman, Mr. Spratt, also members.

Clay, I have handed out a—and I do not know if you got a copy of the——

Mr. JOHNSON. No.

Mr. CUELLAR [continuing]. Handout. I believe all the members should have a copy of it. And all I want to do is just ask you. I think we are all in agreement as to performance-based budgeting, at least moving to that direction, the results oriented.

What I have done is, all I have done is just present three copies, a copy of the President's budget—and I just used an Ag because the other committee I am in is on the agriculture. There is a copy of the Department of Agriculture budget as presented by the President. There is a copy of the budget that the U.S. Congress presents. And then there is a copy—as a model, I am using just Texas as a model.

Mr. JOHNSON. Just to pick a State at random?

Mr. CUELLAR. Just to pick a State that's random.

Mr. JOHNSON. Right.

Mr. CUELLAR. And what I will ask the members and ask you also, Clay, to just look at this. Look at the President's budget and the format that it is in, and notice, members, look at the structure that we have. Then ask you to look at what the U.S. Congress presents when it talks about the agricultural budget. And then ask you to look at, you know, just a random—you know, the other one that we use in Texas, and look at the format. And if you look at the format, there is a format first.

The first part of it is a method of financing, so we know what are the monies coming in to finance that budget. And then the second part is the item of appropriations where we go into the goals and the objectives of the Department of Agriculture. And then the third part of it deals with the performance measures and has other items dealing with capital budget, et cetera, and a more systematic approach to address the issue.

I had asked Mr. Bolten last time when he was here, and I believe he referred this to you, Mr. Johnson, is, just so we can get the process started because we have been talking about it—and I want to thank the chairman for allowing us to be here last—I think it was

last July when we were here last time—is if your department, even if you use dummy figures or percentages on the performance, if you all could just put something together so we can at least look at what a Federal budget would look like——

Mr. JOHNSON. Right.

Mr. CUELLAR [continuing]. Using the format—and, again, I hate to use Texas—but I mean using Texas, I mean that model just so we can get an example. And I think if we are able to do that, I think on a show and tell, I think for members, I think this will give us a pretty good idea as to what it would mean for us because we would ask more intelligent, more in-depth questions, more——

Mr. JOHNSON. Even more intelligent.

Mr. CUELLAR. More intelligent questions, even more intelligent questions. And I mean for everybody, I mean whether it is on the executive branch or the legislative branch or even for the agencies themselves. I think this would allow us. Could you all put something together——

Mr. JOHNSON. Sure.

Mr. CUELLAR [continuing]. And, again, as to what the performance measures, come up with some, but I think that is something that the members can come up, and what the numbers will be, just use some dummy numbers as an example.

Mr. JOHNSON. Right.

Mr. CUELLAR. But I would ask you if you can do that because I think this will go a long way to show us what we could actually come out from results-oriented government.

Mr. JOHNSON. Be glad to do that. We welcome that, that challenge.

Mr. CUELLAR. OK.

Mr. JOHNSON. But, again, I think, as I said at the very beginning, we in the executive branch should be focused on what are we doing with the money. Appropriators should be focused on that, budgeters and authorizers should be focused on that. And if we do not organize our expenditures by goal, by program as opposed to by travel versus personnel versus administrative supplies, we cannot really engage in a conversation about what we are getting for this expenditure and that expenditure and so forth. So we welcome the challenge.

Mr. CUELLAR. Mr. Chairman——

Chairman NUSSLE. Can I just ask—would the gentleman yield—the last part of this which is on your letterhead, is this your recommendation or this is what you think it ought to look like or what you are——

Mr. CUELLAR. That is the bill pattern that I would ask for us to look at. And what we put there or what performance, I mean, that is up to us to decide.

Chairman NUSSLE. Right. I just was not sure what this last part was.

Mr. CUELLAR. Right. It is the last part that has my letterhead. And it is basically, if you look at it, the first part is the source of funding. The second part is the items of appropriations by goals. And then the third part is it has the performance measures plus some other items that we might budget, the capital budget and those items.

But if you look at it, Mr. Chairman and Mr. Spratt, this will give us—it is a more systematic approach to address this. And I think this will allow us to ask more in-depth questions as to what we are doing. And I think if you look at it, I mean, I think this will answer a lot of the questions.

I know that a lot of this information, Clay, is available in other places. I know it is all available somewhere. But in practicality, how many of us do we really go out there and have it available? I mean, I think if we put it at our fingertips, I think this will provide us more legislative oversight, which we should be doing.

Chairman NUSSLE. I thank the gentleman. And I would ask unanimous consent that this be made part of the record, too——

Mr. CUELLAR. Thank you, Mr. Chairman.

Chairman NUSSLE [continuing]. Unless you have an objection to that.

Mr. CUELLAR. No, sir.

Chairman NUSSLE. I think it would be good to have that in the record. Thank you.

Mr. CUELLAR. Thank you.

Chairman NUSSLE. Mr. Chocola.

Mr. CHOCOLA. Thank you, Mr. Chairman.

Mr. Johnson, thanks for being here and thank you for the work you are doing.

Just an initial matter, there has been some discussion of trailers here today. Most of those trailers are made in my district or nearby my district. And I will just offer that even the manufacturers of the trailers understand that there have been mistakes made in this program and they are more than willing to sit down with OMB, with FEMA, with Homeland Security and talk about a better way to manage a program in response to a disaster like we had in temporary housing. So they would love to do that.

In your opening remarks, you talked about probably the two most important things as focusing on results and being accountable, and I agree with you. But one way it is hard to be accountable is when we pass a budget and then we have spending outside of the budget that we call emergencies. And I think over the past 5 years, we have had about $88 billion a year spending outside the budget.

There has been a group of us that have worked on budget process reform issues that would include having a rainy-day fund to budget for emergencies. We know we are going to spend money on emergencies. We do not know how much or when, but use history as our guide and use a super majority vote procedure if something exceeds our expectations.

I used to be in the business world and if we knew we were going to spend money, we would budget for it.

Do you think it is a good idea to have a rainy-day fund to try to anticipate those emergencies and have really a more accountable budget and if not a rainy-day fund, do you have any other suggestions?

Mr. JOHNSON. Let me state again, the next time I am bringing a budget person up here for your all's benefit and a little bit for mine.

Texas had a rainy-day fund and used it to sort of smooth things out. I think actually there is plenty of accountability with supplementals. We have to be very detailed about what we want to do. And you all are prepared to ask a lot of questions about why do we need this when we are not doing this or having already spent this or whatever.

So I do not believe that using supplementals diminishes the level of accountability. I think in the world of limited resources that we are in today and with the growing mandatory program expenditures in the future, which suggest we are going to be in the limited resource environment from this point onward, to agree to a rainy-day fund because it might rain, that might be a difficult pill to swallow.

But if you come in with a very specific need, here is a war, here is a Katrina, here is a something we need to respond to, here is why we need the money, that is actually something that is more apt to create a specific yes, no answer from Congress than a rainy-day fund. But I am not a budget person.

Mr. CHOCOLA. When we talk about budgets and we talk about how much more or less we are going to spend compared to last year, it is not as accountable as it could be because we know we are going to spend more than that. We do not know exactly which count or how much, but I think it is more transparent, it is more accountable to say we know we are going to spend it, we are going to budget for it, and then when the need comes, we can evaluate it at that time.

Mr. JOHNSON. Yeah.

Mr. CHOCOLA. You also talked about, you know, focusing on results. We had a panel here yesterday focused on entitlement spending and we discussed the fact that we may understand the challenge here, in many cases insurmountable challenge, but we are not sure our constituents do.

And so when you talk about focusing on results, it is not only us, but it is the American people that are the recipients of the services that Government provides.

Do you have any ideas how to use these performance measures to get our constituents to understand how well these programs are performing?

I have not been in Congress long, but I understand there is a constituent for every dollar we spend. Nobody has ever come in my office and said spend less on me. And so how do we make sure that we are hearing from our constituents that they demand that we are better managers by spending their tax dollars better based on results?

Mr. JOHNSON. Well, one, this information allows a lot of things. It allows us to have a conversation about these performance measures that are pathetic. We need better performance measures. It is better than having no performance measures, which was the case in a large percentage of our programs 5 years ago. So you could say I need more service performance measures or I need more information about how our constituents are really being served.

So, it encourages that kind of conversation to have it be even more focused on the good we are doing or not doing. Also, it is information that you, any Member of Congress, can use to go out in

their district and say here are the programs. I have a lot of people in my district that benefit from this program or receive services from this program. Here it works or it does not work or here is what we are doing to make it work. I think the things they are working on to make the program work better are OK, better than nothing, but they are not being as aggressive as they can, and I am here to tell you I am going to work with the agency to get them to be more aggressive and to get better performance measures or to do some things to drive the performance even more aggressively than they are.

So it allows you to have a more informed dialogue with your constituents and allows you to have a more informed dialogue with the appropriate agency and allows us all to have a conversation about what is—it is nice to pay attention to performance. That is better than not, but is it enough attention to performance?

Mr. CHOCOLA. I see we are out of time. Is there any marketing effort on expectmore.gov to the general population, they know it is there?

Mr. JOHNSON. We have gone with the press. Our first goal has been with Congress, with agencies, agency employees, and primary constituent groups. Here are programs that you, the farmers, are interested in or that you, the housing community, is interested in to give them information.

But in terms of general public, we have gotten some press. We have gone and talked to general press just with the budget release the President mentioned in his speech last week in New Hampshire. So that has gotten some word out.

But there is no plans, more aggressive marketing plans to the public at large. We figure that the greatest opportunity to do that to the relevant people would be Members of Congress to go out as they communicate with their constituents.

Mr. CHOCOLA. OK. Thank you very much.

Thank you, Mr. Chairman.

Chairman NUSSLE. If there are no further questions for this panel, thank you, Director Johnson, for being with us today, and we appreciate your testimony.

Mr. JOHNSON. Right.

Chairman NUSSLE. Thank you.

Mr. JOHNSON. Thanks for having me.

Chairman NUSSLE. I will now be in order to call the second panel forward, and we have Brian Riedl. I hope I am pronouncing that correctly. Riedl?

Mr. RIEDL. Riedl.

Chairman NUSSLE. Riedl. Well, I did not pronounce Robert Greenstein's name correctly either, as I understand, so I have—I just did. But when I opened up the hearing, I believe I pronounced it incorrectly. So I apologize for that. Welcome both the Director, Executive Director for the Center of Budget and Policy Priorities, Robert Greenstein, here, as well as Brian Riedl, the fellow in Federal Budgetary Affairs from the Heritage Foundation. We welcome you to the Budget Committee.

We are pleased to include your entire testimony in the record as it is written, and we will give you 5 minutes to summarize your statement, and let me call on, in order of the way they appear on

our sheet, and that is Brian Riedl to begin the testimony. You are recognized for 5 minutes. Thank you.

STATEMENT OF BRIAN M. RIEDL, FELLOW IN FEDERAL BUDGETARY AFFAIRS, THE HERITAGE FOUNDATION

Mr. RIEDL. Thank you. Chairman Nussle, Ranking Member Spratt, members of the committee, thank you for offering me the opportunity to share my views. My name is Brian Riedl. I am the Grover Herman fellow in Federal Budgetary Affairs at the Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of the Heritage Foundation.

My testimony will explain that discretionary spending levels are not out of line with historical trends. However, budget increases since 2001 have set the spending on a steeply upward course, just as escalating entitlements are putting an enormous strain on the Federal budget.

Let me begin with the historical context. The 7.9 percent of GDP we currently spend on discretionary spending is not far off the historical average. Discretionary spending topped 10 percent of GDP from World War II through the 80s, before dropping down to 6.3 percent of GDP in 2000, but it has since spiked back up to 7.9 percent of GDP.

Defense has driven many of these fluctuations. From 9.3 percent of GDP in 62, it usually remained over 5 percent, that is, until the Soviet Union fell in 1991, and it dipped all the way down to 3.0 percent of GDP before rebounding to 4.1 percent of GDP today.

Non-defense discretionary spending by contrast has remained stable over the past few decades. However, after dropping to 3.2 percent of GDP in 1999, non-defense discretionary spending has since spiked up to 3.9 percent of GDP.

Let me jump into some of the recent spending increases. Conventional wisdom holds that non-defense discretionary spending has been cut to make room for defense spending increases. Conventional wisdom is wrong. According to OMB historical table 8.2, non-defense discretionary outlays adjusted for inflation, surged by 34 percent from 1999 through 2005. That is the largest 6-year expansion of non-defense discretionary spending since the 1970s.

One way to compare discretionary spending trends is by presidential administration. Overall discretionary outlays rose 2.3 percent under President Clinton versus 9.7 percent annually under President Bush. Defense was virtually frozen in nominal dollars under President Clinton and has averaged 12 percent annual growth under President Bush.

Non-defense discretionary outlays rose 4.0 percent annually under President Clinton versus 8.0 percent annually under President Bush. Let me reemphasize that last point. Non-defense discretionary outlays have grown twice as fast under President Bush as President Clinton.

From 2001 through 2006, inflation was about 12 percent total. With that in mind, over these 5 years, 2001 through 2006, we have had education increase by 62 percent or 10 percent annually. International affairs has increased by 74 percent or 12 percent annually.

Health research and regulation is up 57 percent or 9 percent annually. Veterans' benefits were up 46 percent or 8 percent annually.

Science and basic research is up 40 percent or 7 percent annually, and overall non-defense discretionary outlays are up 46 percent or 8 percent annually. Again, this is versus inflation of only 12 percent.

Now budgets are about making trade-offs among competing priorities, and these recent guns and butter budgets raise serious questions about Federal priorities. To enact the largest 6-year, non-defense discretionary spending hike, at the same time funding a war, has placed Federal spending on an unsustainable path. Last week's harsh reaction to the President's budget proposal shows that certain constituencies have now grown accustomed to large annual spending increases and consider even a temporary freeze at these higher levels to be out of bounds.

Let me finish up by focusing on the future. Discretionary spending faces a perilous future, not because President Bush put out a proposal that lowers it through 2011, those out-year numbers are typically ignored when writing future budgets.

The real reason for concern comes from Social Security, Medicare, and Medicaid, which you heard of yesterday. Spending on the three big entitlements is going to increase by 10.5 percent of GDP between now and 2050. Yet the entire discretionary budget is only 7.9 percent of GDP.

Now the math is simple. Again, we can raise taxes to pay for the spending, but raising taxes by 10.5 percent of GDP would be the equivalent of raising taxes by 11,000 per household permanently.

Assuming that Congress balks at such large tax hikes, it becomes more likely that discretionary spending will have to be reduced to make up for these spending increases entitlements.

Overall, if we took Social Security, Medicare, and Medicaid increases out of the—and squeezed it out of the defense—our discretionary budget, we would have to wipe out the entire non-defense discretionary budget by 2020. We would have to wipe out the entire discretionary budget by 2034.

Now I'm not saying obviously that that's going to happen, but I'm showing the trade-offs we face as entitlement spending continue to increase, there will be enormous pressure on discretionary programs. So if you prioritize education, health research, veterans' health, homeland security, defense, or environment, the single biggest threat to these programs is Social Security, Medicare and Medicaid.

The CBO estimates that in a decade spending on the big three entitlements is going to grow $172 billion per year. That will be more than the entire Department of Education and Justice at that time. At that point it will be difficult to maintain even a shell of current discretionary programs. Social Security, Medicare, and Medicaid will swallow almost all of the tax dollars.

Heritage is creating an online budget calculator that we can show to offices that will show this, and I see that my time is up, and so with that, I will thank you for your time.

Chairman NUSSLE. Thank you.

[The prepared statement of Brian M. Riedl follows:]

PREPARED STATEMENT OF BRIAN M. RIEDL, FELLOW IN FEDERAL BUDGETARY AFFAIRS, THE HERITAGE FOUNDATION

My name is Brian Riedl. I am the Grover M. Hermann Fellow in Federal Budgetary Affairs at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Discretionary spending is not out of the line with historical trends. However, budget increases since 2001 have set this spending on a steeply upward course just as escalating entitlement costs are putting an enormous strain on the entire budget.

HISTORICAL CONTEXT

The 7.9 percent of GDP spent on discretionary programs in 2005 was not far off the historical average. Discretionary spending topped 10 percent of GDP from World War II through the early 1980's, before falling to 6.3 percent in 2000, and then spiking back up to 7.9 percent in 2005.

Defense spending has driven much of these fluctuations. From 9.3 percent of GDP in 1962, it typically remained over 5 percent until the Soviet Union fell in 1991. Then, after dropping all the way down to 3.0 percent of GDP in 2000, the War on Terrorism has pushed it back up to 4.1 percent.

Non-defense discretionary spending has remained more stable over the past few decades. After dropping to 3.2 percent of GDP in 1999, it has since surged to 3.9 percent in 2005.

RECENT LARGE SPENDING INCREASES

Conventional wisdom holds that non-defense discretionary spending has been cut to make room for defense spending increases. Conventional wisdom is wrong. According to OMB Historical Table 8.2, non-defense discretionary outlays—adjusted for inflation -surged by 34 percent between 1999 and 2005. That is the largest 6-year expansion since the 1970's.

One way to compare current discretionary spending trends is by presidential administration:

- Overall discretionary outlays rose 2.3 percent annually under President Clinton, compared to 9.7 percent annually under President Bush.
- Defense was virtually frozen in nominal dollars under President Clinton, and has averaged 12 percent annual growth under President Bush.
- Non-defense discretionary outlays rose 4 percent annually under President Clinton, versus 8 percent annually under President Bush.

Let me re-emphasize that last point: Non-defense discretionary spending has grown twice as fast under President Bush as under President Clinton. Examples of discretionary spending increases between 2001 and 2006 include the following:

- Education is up 62 percent, or 10 percent annually;
- International affairs is up 74 percent, or 12 percent annually;
- Health research and regulation is up 57 percent, or 9 percent annually;
- Veterans' benefits are up 46 percent, or 8 percent annually;
- Science and basic research is up 40 percent, or 7 percent annually. and
- Overall non-defense discretionary outlays are up 46 percent, or 7.8 percent annually.

Budgets are about making trade-offs among competing priorities, and these recent guns and butter budgets raise serious questions about Federal priorities. To enact the largest 6-year non-defense discretionary spending hike, at the same time funding a war, has placed Federal spending on an unsustainable path. Last week's harsh reactions to the President's budget proposal shows that certain constituencies have now grown accustomed to large annual spending increases, and consider even a temporary freeze at these higher spending levels to be out of bounds.

LARGE ENTITLEMENTS THREATEN DISCRETIONARY PROGRAMS

Discretionary spending faces a perilous future. The reason is not because the President's budget proposal forecasts discretionary spending cuts through 2011. Discretionary spending is budgeted on a yearly basis, and any projected discretionary spending numbers after 2007 hold no statutory weight, but serve only as temporary placeholders to make future budget deficits appear smaller. These out-year numbers are typically dismissed by the White House when writing subsequent budget requests.

The real reason for concern comes from Social Security, Medicare, and Medicaid, whose steep growth will likely crowd out all other spending.

The math is simple. Annual spending on Social Security, Medicare, and Medicaid—what I call the "big three entitlements"—is projected to leap by 10.5 percent of GDP between now and 2050. That money will have to come from somewhere. The entire 7.9 percent of GDP currently spent on discretionary programs will be at risk.

It is possible that Congress will raise taxes to pay for this spending. However, Congress would have to keep raising taxes every year until they reach the current equivalent of $11,000 per household above current levels to fund those entitlement costs.

Assuming that Congress balks at such large tax hikes, it becomes more likely that discretionary spending will have to be substantially reduced to make room for those entitlements. Competition for scarce budget resources will become increasingly intense, and the big three entitlements will leave smaller and smaller crumbs for discretionary spending. Overall, Social Security, Medicare, and Medicaid spending increases are projected to squeeze out the entire non-defense discretionary budget by 2020, and the entire discretionary budget (including defense) by 2034.

The message is clear: If you prioritize spending on education, health research, veterans' health care, homeland, security, defense or the environment—the single biggest threat to these programs is Social Security, Medicare, and Medicaid. The Congressional Budget Office estimates that within a decade, the big three entitlements will be growing $172 billion each year—which will be more than the entire combined budgets of the Departments of Education and Justice at that time. At that point, it will become difficult to maintain even a shell of current discretionary programs. Social Security, Medicare, and Medicaid will swallow almost all of the tax dollars.

The Heritage Foundation is creating a budget calculator that allows lawmakers to work with the long-term tax and spending baselines, and test different scenarios to cover these long-term entitlement shortfalls. We would be happy to bring this program to your offices.

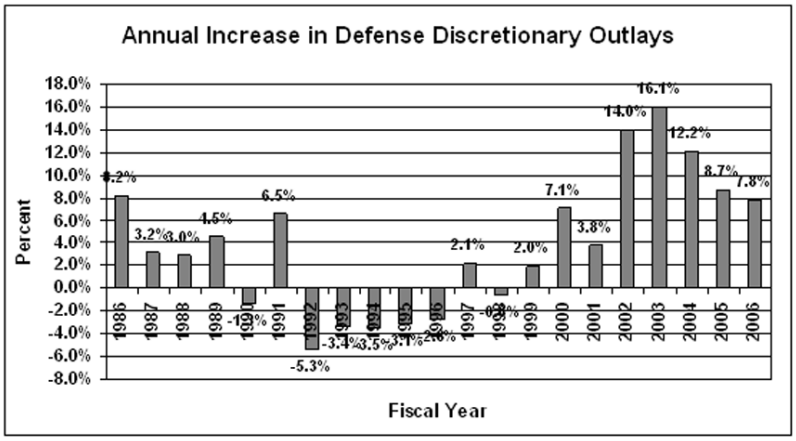
REFORM

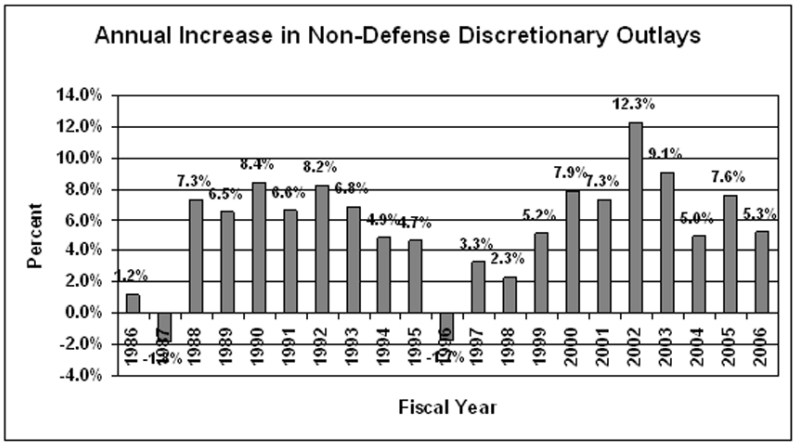
While Congress' top domestic priority should be reforming Social Security, Medicare, and Medicaid, they should also seize this opportunity to take a fresh look at discretionary spending growth. For example, education, housing, and transportation, are traditionally state and local functions, and may be devolved again. Many of these Federal programs currently force Americans to pay large taxes to Washington, who shave some administrative costs, and then send the money right back to state and local governments with new strings attached. It may be more efficient, more democratic, and less costly to bypass the Federal middleman and have taxpayers send the taxes for these programs directly to local governments who can tailor these programs to local needs. This would allow Congress to focus more on key national issues such as national security. A Federal Government that tries to do everything, risks succeeding at little.

Congress should also consider creating a commission, similar to the successful BRAC model that closed obsolete military bases, to package all outdated, wasteful, and unnecessary programs into one termination bill that would receive expedited floor consideration. This could reduce some of the enormous waste in the Federal budget.

At that very least, basic budget caps can help lawmakers set priorities and make trade-offs. Congress should consider attaching these caps to the debt limit vote later this month.

APPENDIX





Source: Both charts come from the Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 2007 (Washington, D.C.: U.S. Government Printing Office, 2006), Table 8.1, at http://www.whitehouse.gov/omb/budget/fy2007/hist.html.

DISCRETIONARY OUTLAYS BY CATEGORY, 2001–2006

[Nominal dollars, in millions]

Discretionary Spending Category	2001	2006	2001–06 Percent Increase		1993–2001 Annual Avg.
			Total	Annual Avg.	
National Defense	$306,068	$532,215	74%	11.7%	0.6%
Education	37,659	61,040	62%	10.1%	5.4%
Income Security	43,972	54,978	25%	4.6%	4.3%
Health Research and Regulation	33,158	51,910	57%	9.4%	6.8%
Highways & Mass Transit	34,595	44,844	30%	5.3%	7.2%
Justice Administration	29,853	39,977	34%	6.0%	9.1%
International Affairs	22,496	39,171	74%	11.7%	0.5%
Natural Resources & Environment	25,960	33,875	30%	5.5%	3.3%
Veterans Benefits	22,399	32,709	46%	7.9%	4.4%

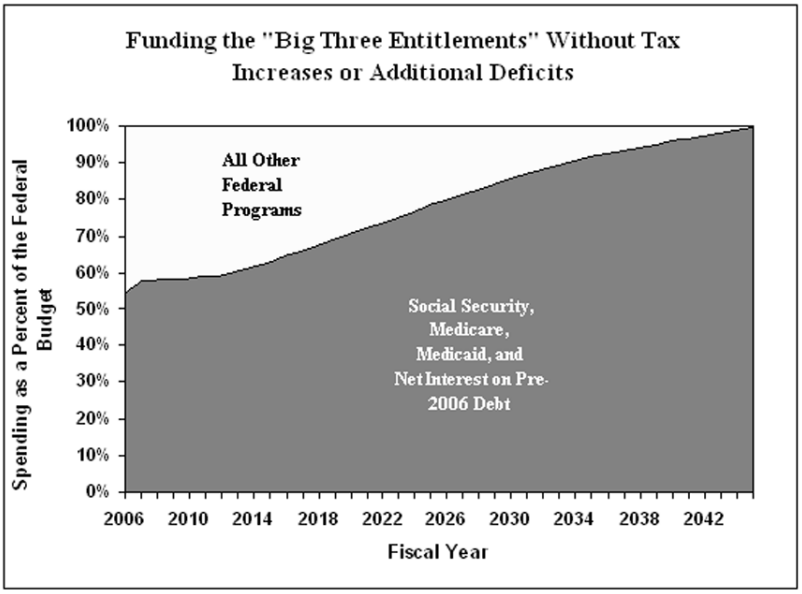
DISCRETIONARY OUTLAYS BY CATEGORY, 2001–2006—Continued

[Nominal dollars, in millions]

Discretionary Spending Category	2001	2006	2001–06 Percent Increase		1993–2001 Annual Avg.
			Total	Annual Avg.	
Community/Regional Development	12,417	29,485	137%	18.9%	4.9%
Training/Employment/Soc. Services	16,607	20,460	23%	4.3%	4.4%
Air Transportation	11,617	19,304	66%	10.7%	1.8%
General Government	12,644	16,650	32%	5.7%	1.3%
Space and Other Technology	13,236	14,742	11%	2.2%	0.1%
General Science and Basic Research	6,509	9,117	40%	7.0%	6.5%
Water/Other Transportation	3,901	6,152	58%	9.5%	2.0%
Agriculture	4,958	6,045	22%	4.0%	2.3%
Medicare	3,323	5,102	54%	9.0%	2.9%
Social Security	3,590	4,553	27%	4.9%	4.1%
Energy	2,897	3,948	36%	6.4%	−7.8%
Commerce and housing credit	1,467	2,076	42%	7.2%	−4.4%
Allowances	0	3,726	N/A	N/A	N/A
Total Discretionary Outlays	649,326	1,032,079	59%	9.7%	2.3%
Total Defense	306,068	532,215	74%	11.7%	0.6%
Total Non-Defense	343,258	499,864	46%	7.8%	4.2%

From 2001 through 2006, inflation will have totaled 12 percent, and the population will have grown 5 percent.
2006 numbers reflect current OMB estimates. Additional supplemental spending will add to this total.

Source: Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 2007 (Washington, D.C.: U.S. Government Printing Office, 2006), Tables 3.2 and 8.5, at http://www.whitehouse.gov/omb/budget/fy2007/hist.html.



Chairman NUSSLE. Mr. Greenstein. And I am pleased to receive your testimony.

STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. GREENSTEIN. Thank you, Mr. Chairman. Some people have an impression that there has been an explosion in domestic discretionary programs in recent years. Some might have gotten that im-

pression from some of Brian's comments. But if you actually look at the data, it's not the case.

Now, he talked about non-defense discretionary spending. That includes international affairs. He noted a 74 percent increase for that. Reconstruction in Iraq and Afghanistan shows up in the international affairs part of the budget, not the defense part. I am going to look at appropriations for domestic discretionary programs outside homeland security.

What you find when you look at that is that on a real per capita basis, total funding for all domestic discretionary programs outside homeland security is only 2 percent higher in 2006 than in 2001. By comparison, defense is up 32 percent. That's an average annual growth rate of four-tenths of 1 percent per year.

If you look at total funding for domestic discretionary programs outside homeland security as a share of GDP, it's actually a little lower in 2006 than in 2001. This is not what has caused the return of deficits.

Turning now to the President's budget proposal: the President's budget contains substantial reductions in domestic discretionary programs over the next 5 years. Total funding for the programs would be cut $16 billion below the OMB baseline in the first year, rising to $57 billion in the fifth year, a total of $183 billion over 5 years.

In fact, under the President's budget total outlays for domestic discretionary programs would, by 2011, be at their lowest level since 1962. Now, it is not the case that these reductions are limited to a small number of programs thought to not be high performing.

There are 15 budget categories or functions that include domestic discretionary programs. Under the President's budget, total funding would be cut significantly over the next 5 years for 14 of the 15 categories.

A few examples. Funding for veterans' programs: this is the discretionary part of the budget functions, not including the mandatory part. Funding for discretionary veterans' programs would be cut $10.3 billion over the next 5 years.

Funding for environmental and natural resource programs would be cut $28 billion, a total of 22 percent by the fifth year. Funding for education, job training, and social services programs: a total of $53 billion over the next 5 years, with the cuts reaching 17 percent in the fifth year.

Materials from OMB also show the proposed funding levels for each of the next 5 years for each budget subcategory or subfunction. There are 56 domestic, discretionary subfunctions. Discretionary funding would be cut in 49 of the 56.

Again, a few examples. Elementary, secondary, and vocational education would be cut a total of $18 billion over the next 5 years. Higher ed: $16 billion, 20 percent in the fifth year. Total education funding cut nearly $36 billion over 5 years. Healthcare research and training, including NIH, cut $15.5 billion over 5 years. Veterans' healthcare: $9.3 billion over 5 years. And national parks and pollution control and abatement, each cut 22 percent by the fifth year.

Now there has been a certain amount of focus on program terminations. The much bigger savings are in substantial program re-

ductions, and if you look at the OMB computer run nearly all domestic discretionary programs outside of some space and science areas would be cut over the next 5 years. Funding for special education for children with disabilities, down $5.5 billion over 5 years. A cut of over a billion over the next 5 years in discretionary child care funding.

The President's budget has a table which itself shows you that the number of child care slots for children from low-income working families would be reduced by more than 400,000 by 2011.

One more example: this December the Department of Housing and Urban Development (HUD) issued a report, finding that over a million very low-income elderly who receive no Federal housing assistance have what HUD calls worst-case-housing needs, which means they either pay more than 50 percent of income for housing or live in severely substandard housing. The budget proposes cuts starting at 27 percent in 2007, reaching 30 percent by 2011, in the Section 202 Supportive Housing for the Elderly program.

Now let me make three observations about these proposals for substantial reductions in domestic discretionary programs. The first is that none of the savings would go for deficit reduction.

The budget's figures show that OMB expects its combined reductions in domestic discretionary and entitlement programs to reduce outlays by $191 billion over 5 years, but the budget proposes $285 billion in tax cuts over 5 years; by the Treasury figures, $1.7 trillion over 10 years.

The net effect of the policy proposals in the budget is to increase the deficit in each year above what it would be if we put everything on automatic pilot and did nothing, because the costers in the budget cost more than the savers save, and that means that the reductions in the domestic discretionary programs are effectively going to offset a portion of the cost of the tax cuts, not to reduce the deficit.

Secondly, on the PART issue, I think everyone will agree that evaluation and measuring of performance is important. It's the right thing to do. I do think, however, there are some problems with how the PART system is used in the budget to justify various program terminations.

In the case of many programs slated for termination, PART did not find the program to be ineffective. In a number of cases, programs rated as effective were targeted for elimination. But I want to focus on one particular issue which is that, in many cases, when you look at a proposed program termination, what it says next to it is "results not demonstrated."

Now that normally does not mean the program has been studied and found to be ineffective. For most of these programs, what it means is that the executive branch and Congress have never put up the funds to finance a program evaluation.

In most cases, because these are small programs and the judgment has been made that, given the limited amount of research and evaluation dollars available, money would be best spent elsewhere.

Let me give you a specific example. The budget proposes to terminate a program, the Commodity Supplemental Food Program,

that provides modest, nutritious food packages to about 430,000 low-income, elderly people across the country.

The PART document acknowledges that this program may contribute positively to the nutrition needs of those people. But it gives the program a low rating for results not demonstrated.

Now, there is no research showing the program is ineffective. This is a $100 million a year program and executive branch officials and appropriators have generally made the decision that they want to focus program evaluation dollars and money for sophisticated program performance measurement and reporting where the big money is: food stamps and school lunches are many times bigger in cost than this $100 million a year program.

So they have not put up the money for sophisticated program measurement, program monitoring, or research evaluation. Now, maybe we should do that, but the fact that that has not been done is not a valid basis for eliminating a program where the elimination is going to create hardship among significant numbers of low-income elderly people.

The other major problem I want to highlight with PART is that it's not even-handed, because it leaves out a big part of spending. And the part of spending it leaves out are what OMB and the Joint Tax Committee call "tax expenditures."

In a report issued a year ago, the Joint Tax Committee explained, I'm quoting, "special income tax provisions are referred to as tax expenditures because they may be considered analogous to direct outlay programs." Some of these expenditures are of dubious value. Certainly for some of them results have not been demonstrated. The GAO has explicitly called on OMB to expand PART to include tax expenditures.

Unfortunately, the continued exclusion of tax expenditures from PART and the fact that it is being used to justify terminations of some programs that have not been found to be ineffective, but where Congress and various administrations, not just the current one, have not put up the funds to conduct program evaluations, mean in my view that while PART is very important, it is being somewhat misused in the current budget.

The last comment I want to make is with regard to where domestic discretionary programs fit into the larger budget.

Chairman NUSSLE. Could you make it quickly?

Mr. GREENSTEIN. Yes. I'm a strong advocate of shared sacrifice. I think everything should be on the table. I would note that when fully in effect, the cost of the tax cuts, if made permanent, including continued alternative minimum tax (AMT) relief, will be three times all Federal funding for education at all levels, three times all Federal funding for veterans, and most strikingly, equal to the combined cost of the entire departmental budgets for agriculture, labor, education, VA, transportation, HUD, justice, state, interior, EPA, and energy.

The conclusion I draw from all of this, Mr. Chairman, is that I do think the proposed cuts in the domestic discretionary area are significantly too deep. I think we need a balanced approach where you put everything on the table: entitlements, domestic discretionary, defense, revenues. Put everything on the table.

In 90 and 93, policymakers put the entire budget on the table. In each of those 2 years, they achieved deficit reduction of about $500 billion over 5 years. In my view, that's the kind of approach we need to go back to. Thank you.

[The prepared statement of Robert Greenstein follows:]

PREPARED STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Thank you for inviting me to testify. I am Robert Greenstein, executive director of the Center on Budget and Policy Priorities, a policy institute that conducts research and analysis on fiscal policy issues, with a particular focus on the impact of policies and programs on low- and moderate-income families. The Center does not receive (and never has received) any funds from Federal grants or contracts. It is supported by foundations and individual donors.

My testimony today is divided into three sections. The first examines the extent to which domestic discretionary programs have grown in recent years. The second section examines what the President's budget proposes with regard to domestic discretionary programs. The final section examines several important issues that these budget proposals raise.

I. WHAT HAS HAPPENED TO DOMESTIC DISCRETIONARY PROGRAMS SINCE 2001?

Many people have come to believe that domestic discretionary programs have exploded since 2001. This is not the case. Depending on the measure used, total funding (i.e., total appropriations) for domestic discretionary programs has risen modestly, fallen slightly, or remained largely unchanged.

• On a real per capita basis, total funding for domestic discretionary programs outside homeland security is only 2 percent higher in fiscal year 2006 than it was in fiscal year 2001. This represents an average annual growth rate of 0.4 percent per year.

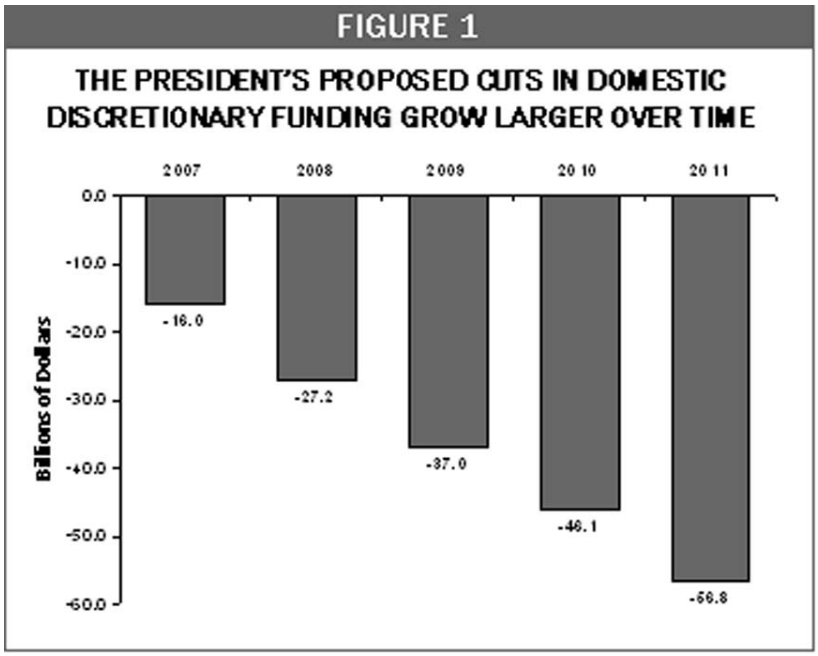
(In comparing funding levels for years such as 2001 and 2006, it is necessary to adjust for inflation, as 2006 dollars and 2001 dollars are not equivalent and do not have the same buying power. The OMB and CBO baselines for discretionary programs both adjust for inflation. One also should adjust for changes in the size of the U.S. population. When the population grows, the cost of government programs rises because more children attend school, the number of people seeking government services from passports to child care assistance increases, etc. When the population grows, revenues also increase, because there are more workers paying taxes, and the economy grows as well because the size of the labor force—a key component of economic growth—expands. If one adjusts for inflation but not for population growth, then total funding for domestic discretionary programs outside homeland security grew at an average annual rate of 1.4 percent between 2001 and 2006.)

• As a share of the economy, total funding for domestic discretionary programs outside homeland security actually declined between 2001 and 2006. It stood at 3.36 percent of GDP in 2001 and stands at 3.13 percent of GDP in 2006.

Increases (or decreases) in deficits are usually measured as a share of the economy. As these data indicate, domestic discretionary programs have not been a significant contributor to the shift in recent years from budget surpluses to budget deficits.

II. WHAT THE PRESIDENT'S BUDGET PROPOSES FOR DOMESTIC DISCRETIONARY PROGRAMS

The President's budget proposes substantial reductions in domestic discretionary programs over the next 5 years. Total funding for these programs would be cut $16 billion in 2007, relative to the OMB baseline (i.e., relative to the 2006 level adjusted for inflation). The funding reduction would grow larger with each passing year. By 2009, funding for these programs would be $37 billion below the OMB baseline. In 2011, funding would be $57 billion below the baseline, and outlays for domestic discretionary programs would fall to their lowest level since 1962, measured as a share of the economy. Over the 5 years as a whole, funding for domestic discretionary programs would be cut a total of $183 billion. (See Figure 1.)



These cuts would be achieved both through program terminations and through program reductions. Nearly every category of domestic discretionary programs would be cut significantly.

• There are 15 budget categories (or "functions ") that include domestic discretionary programs. Under the President's budget, total funding for domestic discretionary programs would be cut significantly over the next 5 years in 14 of these 15 categories. Only the General Science, Space, and Technology category would be spared.

• A few examples:

• Funding for veterans programs would be cut by a total of $10.3 billion over the next 5 years, with the cuts reaching 13 percent in 2011.

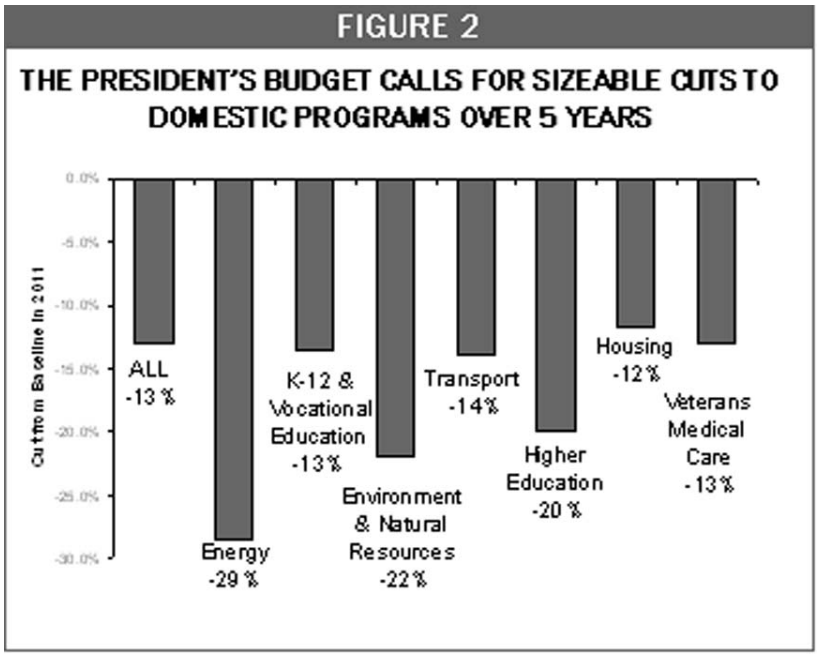
• Funding for energy programs—which include research on alternatives to oil, conservation efforts, and emergency energy preparedness programs—would be cut a total of $4.4 billion over 5 years, with the cuts reaching 29 percent in 2011.

• Environmental and natural resources programs would be cut 22 percent by 2011, with the cuts totaling $28.1 billion over 5 years.

• Education, job training, and social services programs would be cut $52.7 billion over 5 years. The cuts would reach 17 percent in 2011.

• Funding for discretionary health programs—including medical research at NIH, community health centers, and HIV/AIDS treatment funds—would be cut $24.2 billion over 5 years, with the cuts reaching 13 percent in 2011.

OMB materials also show the proposed discretionary funding levels for each of the next 5 years for each budget sub-category (or "subfunction "). There are 56 budget subfunctions that include domestic discretionary programs. By 2011, discretionary funding would be cut for 49 of these 56 program areas, or nearly 90 percent of them.



• Elementary, secondary, and vocational education programs would be cut a total of $18.1 billion over 5 years, with the cut reaching 13.5 percent by 2011. Higher education programs would be cut $15.8 billion over 5 years, and 20 percent in 2011. Total education funding would be cut nearly $36 billion over 5 years.

• Health care research and training, which includes the National Institutes of Health, would be cut $15.5 billion over 5 years (and by 14 percent in 2011).

• Consumer and occupational health and safety, which includes funding for mine safety, would be cut by 15 percent by 2011.

• Hospital and medical care for veterans would be affected substantially, with the cuts amounting to $9.3 billion over 5 years and $4.5 billion in 2011 alone (a 13 percent reduction in that year). Given the rising cost of medical care and the large number of wounded servicemen returning from Iraq and Afghanistan, these reductions do not seem tenable.

• Within the natural resources and environment function, recreational resource programs—including the national parks—and pollution control and abatement programs each would be cut 22 percent by 2011.

PROGRAM TERMINATIONS AND REDUCTIONS

The budget proposes terminations or reductions of hundreds of domestic discretionary programs. The Administration has issued a list of the programs it would terminate in 2007. In addition, an OMB listing has become available that shows the funding level envisioned for every discretionary program account for each of the next 5 years.

Table 1

Proposed Funding for Various Budget Sub-Categories

(President's Proposal Relative to the Baseline)

Budget Sub-Category	Change in 2011		Five Year Change: 2007-2011
	In Billions of Dollars	Percent Change	In Billions of Dollars
Elementary, secondary, and vocational education	-$5.6	-13.5%	-$18.1
Higher education	-$4.0	-19.8%	-$15.8
Energy conservation	-$0.2	-27.4%	-$1.0
Health care services	-$2.2	-10.5%	-$7.1
Health care research and training	-$4.5	-13.8%	-$15.5
Consumer and occupational health and safety	-$0.6	-15.4%	-$1.6
Hospital and medical care for veterans	-$4.5	-12.9%	-$9.3
Conservation and land management	-$2.2	-20.9%	-$7.9
Recreational resources	-$0.6	-22.5%	-$2.2

The terminations include, among others:

• The Commodity Supplemental Food Program, which provides nutritious food packages for less than $20 a month to 420,000 low-income elderly people, one-third of whom are over age 75;

• The Preventive Care Block Grant, which is operated by the Centers for Disease Control and Prevention and provides grants to states for preventive health services for underserved populations;

• The TRIO Talent Search program, under which colleges and universities—in many cases, Historically Black Colleges and Universities—assist disadvantaged secondary school students (two-thirds of whom are minority) by providing them with academic, career, and financial counseling so they will be better able to finish high school and attend college; and

• The Community Services Block Grant, which provides funding for a range of social services and other types of assistance to low-income families and elderly and disabled individuals.

Other programs that would be terminated include: vocational education, the Emergency Watershed Protection Program, Gaining Early Awareness and Readiness for Undergraduate Programs, and Safe and Drug Free Schools Grants.

A much larger number of programs would face deep funding cuts:

• Funding for special education, under which states receive grants to help cover the added costs of providing special education to children with disabilities, would be cut about $5.5 billion over 5 years.

• EPA grants to states (and Indian tribes) for environmental protection, clean-up, and land preservation activities—which already were cut by $427 million in nominal terms in 2006—would be cut another $420 million below the baseline in 2007, and by larger amounts in subsequent years.

• Discretionary appropriations for the Child Care and Development Block Grant would be cut by $1 billion over the next 5 years. The President's budget includes a table showing that under the budget, the number of lower-income children receiving child care assistance would be cut from 2.2 million in 2005 (and 2.45 million in 2000) to 1.8 million in 2011. In other words, the number of such children aided would be reduced by more than 400,000.

• In December 2005, HUD issued a report finding that 1.1 million very-low-income elderly households that receive no Federal housing assistance have "worst-case housing needs," which means they either pay more than 50 percent of their limited incomes for housing or live in severely substandard housing. The budget proposes to cut deeply into the Section 202 Supportive Housing for the elderly program, which provides capital grants and operating subsidies to non-profit institutions to develop and generate affordable housing for elderly people with low incomes. Large cuts (a cut of 27 percent) would start in 2007; by 2011, the funding cut would be 37 percent.

• The equivalent housing program for low-income people with disabilities would be sliced by more than half in each of the next 5 years. The recent HUD report found over 500,000 low-income people with disabilities who have worst-case housing needs and receive no Federal housing aid.

III. ISSUES RAISED BY THESE PROPOSALS

These proposals calling for substantial reductions in nearly all domestic discretionary program areas raise several issues:

• Would the savings be used for deficit reduction?

• Is the "Program Assessment Rating Tool" system sound and is it being used appropriately when it is cited as justification for various of these program terminations and reductions?, and

• Are the cuts proposed in domestic discretionary programs equitable—are they part of a program of shared sacrifice?

I address each of these issues in turn.

WOULD THE SAVINGS CONTRIBUTE TO DEFICIT REDUCTION?

The nation faces serious long-term fiscal problems. Deficit reduction is needed. The data in the President's budget show, however, that the substantial reductions that the budget proposes in domestic discretionary programs would not be used to reduce the deficit. Instead, the resulting savings would be used to offset a portion of the costs of other, costly budget proposals.

• The budget's figures show that OMB expects the proposals for reductions in domestic programs—in both discretionary and entitlement programs—to reduce Federal expenditures by $191 billion over the next 5 years. (This does not reflect proposed Katrina or avian flu supplementals or the proposal for Social Security private accounts.)

• But the budget also proposes $79 billion in increased defense and homeland security spending (not counting the additional expenditures that would result from the supplemental appropriations requested for military operations in Iraq and Afghanistan).

• And the budget proposes $285 billion in tax cuts over the next 5 years—and $1.7 trillion over 10 years.[1] (These figures underestimate the tax-cut costs, because the budget omits the cost of continuing to provide relief from the Alternative Minimum Tax after 2006.)

• As a result, the overall effect of the President's proposals would be to increase the deficit in every year, compared to what the deficit would be in the absence of the proposals. The Administration's own numbers indicate its budget proposals would increase deficits by $192 billion over the next 5 years.[2] Data in the Administration's budget materials show that deficits would total $760 billion over the next

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[1] These figures are taken directly from the Treasury Department's book explaining the Administration's tax proposals. It includes the revenue and outlay effects of the Administration's tax proposals.

[2] The $192 billion total includes the increased interest payments on the debt that would have to be paid because of the effects of the Administration's proposals in increasing deficits and debt. Note: the deficit estimates used here do not include the effects of the Administration's proposal to convert part of Social Security to private accounts. Were that proposal included, the increases in the deficit that the Administration's proposals would cause would be larger.

The baseline used here is the Administration's current services baseline, adjusted to remove the effect of making the 2001 and 2003 tax cuts permanent. (The Administration includes in its baseline the costs of its proposal to make the tax cuts permanent, in order to make that proposal appear to have no cost.) The Administration's baseline—and the baseline used here—do not assume any future supplemental appropriations for operations in Iraq and Afghanistan or for domestic emergencies. Likewise, expenditures from emergency funding that the President is requesting for 2006 and 2007 have been excluded from the calculations here. Were they included, the President's budget would be seen as increasing deficits by more than $192 billion over five years.

5 years without the policy proposals in the budget, and would total $952 billion with these proposals.

In other words, since the tax cuts would cost substantially more than the domestic program reductions would save, there would be no deficit reduction. The budget would continue to "dig the hole deeper," and the budget's steep domestic discretionary cuts would be used to offset a fraction of the cost of the proposed tax cuts rather than to shrink the deficit.

THE PART SYSTEM

Many of the domestic program cuts being proposed have been defended on the grounds that OMB's PART ("Program Assessment Rating Tool ") system has found them to be ineffective. The concept of PART is very reasonable. But the use of the PART system in the new budget to justify the termination of numerous programs is fraught with problems.

In the case of many programs that the budget slates for termination, PART did not find the programs to be ineffective. In some cases, programs rated as moderately effective are targeted for elimination. In other cases, programs for which the Administration has failed to gather sufficient evidence of effectiveness or lack thereof are slated for termination.

A phrase found in the budget alongside many of the proposed program terminations is "Results not demonstrated." This generally does not mean that the program has been studied and found ineffective, but that Congress and the Executive Branch have not bothered to invest the funds to conduct research to evaluate the program, usually because the program has been considered too small in cost to justify using a portion of limited research and evaluation funds to conduct a rigorous evaluation of it.

Consider, for example, the budget's proposal to terminate the Commodity Supplemental Food Program (CSFP), a $107 million program that provides nutritious food packages that cost the government less than $20 per month to 420,000 low-income seniors, one-third of whom are over age 75. (The program also serves a much smaller number of low-income pregnant women, infants, and young children.) The Administration's PART document acknowledges that the CSFP program may "contribute positively to access to food assistance for low-income elderly people in the places where the program operates." But the PART system gave the program a low rating on two of the PART criteria—demonstrated program results and strategic program planning on the part of the operating agency (in this case, USDA).

It is not unreasonable for OMB to expect USDA to engage in strategic planning with respect to the program and to ask whether the program is effective. Lack of adequate steps by USDA to complete a strategic planning process, however, is not sufficient cause for eliminating a program that serves about half a million low-income seniors, mothers, and young children. Moreover, research has not found CSFP to be ineffective; to the contrary, the reason for the low PART rating on program "results" is that Federal funding has not been provided either to conduct evaluation research on the program's effectiveness or to develop sophisticated reporting systems to measure program performance. Current and prior Administrations and Congresses have opted to focus the limited research and evaluation funds available for Federal food assistance programs on the major programs such as food stamps and the school lunch program. The small amount of funding provided for CSFP has been dedicated to delivering services to needy people rather than conducting research and instituting sophisticated performance measurement systems.

It may be appropriate for Congress and USDA to invest more energy and resources in setting and evaluating CSFP's performance goals and effectiveness. But a low PART ranking simply because such activities have not yet been conducted is not a valid basis for eliminating the program and causing hardship among many program participants.

This problem is magnified by a major deficiency with PART: it is not even-handed, because it leaves out a large part of the budget—the Federal tax code.

It has long been recognized that the tax code contains numerous provisions that use the tax system to deliver subsidies. These provisions are referred to as "tax expenditures." In a report that the Joint Committee on Taxation issued in January 2005, JCT explained that "special income tax provisions are referred to as tax expenditures because they may be considered analogous to direct outlay programs, and the two can be considered as alternative means of accomplishing similar budget policy objectives. Tax expenditures are similar to those direct spending programs that are available as entitlements to those who meet the statutory criteria established for the programs."

The Joint Committee on Taxation periodically publishes a list of all tax expenditures. The cost of these items, as estimated by JCT, totals $914 billion in 2006. The President's budget also contains a list of tax expenditures; the costs listed for these measures total $872 billion in 2007.[3]

There is little question that some tax expenditures are of dubious value or have outlived their usefulness. A January 2005 Joint Tax Committee report included options for narrowing some tax expenditures. So does CBO's new volume on deficit reduction options. Of particular note, various tax expenditures have not been rigorously evaluated and likely would score poorly if PART were applied to them.

The Government Accountability Office has explicitly called for PART to be revised to include tax expenditures. The GAO has specifically asked OMB to "require that tax expenditures be included in the PART process and any future such budget and performance review processes so that tax expenditures are considered along with related outlay programs in determining the adequacy of Federal efforts to achieve national objectives."[4]

Unfortunately, the continued exclusion of tax expenditures from PART—and the use of PART to help justify terminating programs on the grounds that their effectiveness has not been demonstrated, even when the reason for such a finding is that funds have not been provided to conduct a program evaluation—mean that PART is being misused. It appears that PART is being used inappropriately to advance a rather ideological agenda.

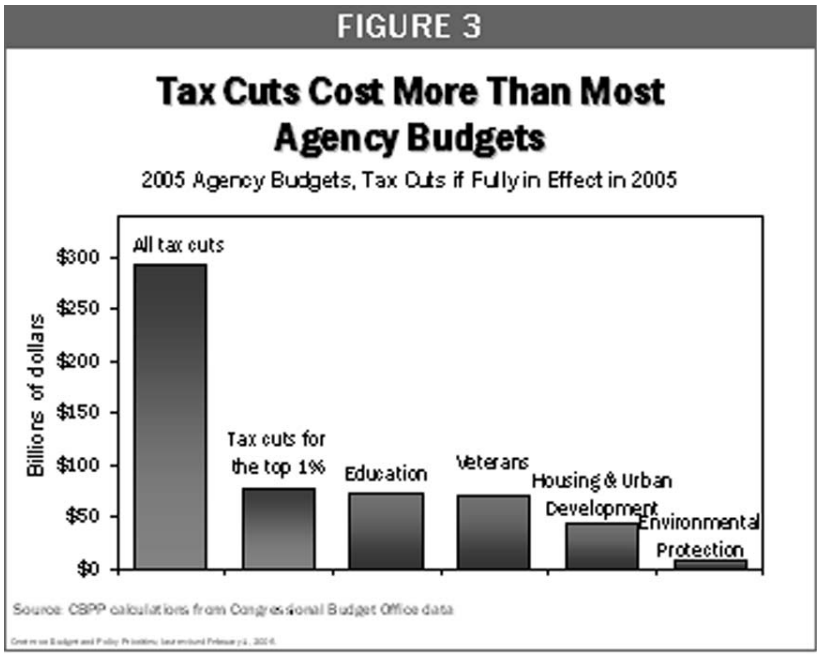
SHARED SACRIFICE?

The deepest cuts in the President's budget would come in domestic discretionary programs, despite the fact that expenditures for these programs have been well behaved as a share of GDP and the programs have contributed little to the return of deficits. The nation's looming long-term fiscal problems stem entirely from other parts of the budget. There is a striking absence of shared sacrifice here.

Particularly stark is the contrast between expenditures for many discretionary programs and the cost of the tax cuts enacted in recent years, which the budget would make permanent. Figure 3 compares the annual cost of the 2001 and 2003 tax cuts when they are fully in effect (including the cost of continuing relief from the AMT) to the annual cost of various agency budgets. It shows that when the tax cuts are in full effect:

[3] Due to interaction effects between various tax expenditure provisions, the precise total cost of all tax expenditures would vary somewhat from these JCT and OMB figures.

[4] Government Accountability Office, "Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to be Reexamined," September 2005, p. 74.



• Their annual cost will be more than three times as large as the current level of Federal funding for education at elementary, secondary, and post-secondary levels combined. It also will be more than three times the cost of all veterans programs, including veterans health care, veterans pensions, veterans disability compensation, and other veterans services.

• The cost of the tax cuts will equal the combined cost of all of the following agency budgets: agriculture, labor, education, veterans affairs, transportation, HUD, justice, state, interior, EPA, and energy.

• The cost of the tax cut for the top 1 percent of households, whose average income is close to $1 million a year, will be nearly the same as the total amount the Federal Government spends on education at all levels. The cost of the tax cut for the top 1 percent also will be about as large as the cost of everything the Federal Government spends for veterans.

In short, rather than there being shared sacrifice, the prime beneficiaries of the tax cuts would move farther ahead while less-fortunate people for whom domestic discretionary programs are most important—such as low-income seniors in the CFSP program or children in working-poor families who need child care—would fall farther behind. This becomes even more troubling when the distribution of the tax cuts is taken into account: the Urban Institute-Brookings Institution Tax Policy Center estimates that when the tax cuts enacted in 2001 and 2003 are fully in effect, the average tax cut will be $650 a year for households in the middle of the income scale but $136,000 for households that make more than $1 million a year. (These figures are in 2004 dollars.)

Among those who would fare badly from this unbalanced approach to the budget—i.e., from the lack of shared sacrifice—would be state and local governments. Under the Administration's budget, grants to state and local governments for programs other than Medicaid would decline nearly $14 billion between 2005 and 2007, after adjusting for inflation. This drop reflects the fact that many domestic discretionary programs operate as grants-in-aid to state or local governments, which run the programs or provide the services. The Administration's budget also includes $35.5 billion over 10 years in Federal savings from legislative and regulatory changes in the Medicaid program; four-fifths of these Federal Medicaid savings would come from measures that shift costs from the Federal Government to state and local governments.

IV. CONCLUSION

The conclusion that I draw from this is that the proposed cuts in domestic discretionary programs are substantially too deep and that the nation needs a more balanced fiscal approach in which all parts of the budget—revenues, entitlements, domestic discretionary programs, and the Pentagon—are put on the table for review. In both 1990 and 1993, policymakers placed all parts of the budget on the table, and they achieved deficit reduction of about $500 billion over 5 years on each of those occasions. That sort of effort is badly needed again.

Chairman NUSSLE. Let me begin by what may be the obvious observation and that is I hear from one of our witnesses that we are spending way too much, and I hear from one of our witnesses that the facts evidently demonstrate that we are spending way too little.

Mr. GREENSTEIN. I do not think I said way too little.

Chairman NUSSLE. All right. Too little.

Mr. GREENSTEIN. No, I did not say that either. I was critical of the——

Chairman NUSSLE. All right. Just wait a minute. Giminny Christmas. I think there was some conflict in the testimony. Would you agree, Mr. Greenstein?

Mr. GREENSTEIN. Yeah, I do want to clarify. I did not come here——

Chairman NUSSLE. All right. Never mind. I will——

Mr. GREENSTEIN. I will agree——

Chairman NUSSLE [continuing]. Now I'll pass.

Mr. GREENSTEIN. I will agree that there is conflict. I think——

Chairman NUSSLE. I will ask the question, and then I will let you respond. OK?

Mr. GREENSTEIN. I'm sorry. I thought you had asked it.

Chairman NUSSLE. No, I had not.

Mr. GREENSTEIN. I apologize, Mr. Chairman.

Chairman NUSSLE. It may not be worth it. In fact, it's not worth it. I will pass.

Mr. Spratt.

Mr. SPRATT. You did not address the issue of discretionary caps in looking back to prior experience. Would you comment on what you think those caps fairly and properly should be or if indeed that should be used as a budget process mechanism.

Mr. GREENSTEIN. Yes, could I very briefly? First, I want to apologize again to the Chairman and I do want to say that Brian Riedl and I are working from the same set of numbers. I can produce his numbers with the numbers I'm using. The differences stem from a couple of things.

His definition of non-defense discretionary includes international: function 150. Mine does not. I'm not sure whether he includes homeland security. I do not. He is looking at outlays over the same period that I'm looking at budget authority. I would argue that budget authority for this purpose is better, but they are both valid.

I think once you take those differences in method into account, you will find that our numbers otherwise exactly match. Neither of us is doing anything funny with the numbers.

With regard to discretionary caps, a minute ago I said I thought we really made major achievements in 1990 and in 1993. And we had discretionary caps as part of those packages.

I think there are two issues here. The first is that the desirability of discretionary caps, to me, is inseparable from the levels

at which you put them. Discretionary caps that are tied to figures that require excessively deep cuts in domestic discretionary programs I think are likely to be problematic for either or both of two reasons.

First, either they do cut too deeply and cause real problems in meeting national needs, or, because they are set at unrealistic levels, they get blown through. The 90 and 93 discretionary caps were largely honored. They were set at realistic levels.

I recall that in 1993, President Clinton, I think, proposed a budget that would have breached the caps, and a Democratic majority rejected that.

By contrast, in the 1997 balanced budget agreement the caps were set too low. They would have required reductions that were too large. They were blown through. If one set caps for a multi-year period at the level in President Bush's budget, it would require cuts significantly deeper than those in 1997, which were not enforced.

The other issue is, I think that to sell discretionary caps, as in 90 and 93, they have got to be part of a balanced deficit reduction package that puts everything on the table from provider payments in the healthcare area to farm programs, to, yes, revenues, and even looking for waste in the Defense Department.

Mr. SPRATT. In 1997, we fixed the caps for 5 years at a level in the out years that we all knew were so tight they were unrealistic. That included a Domenici proposal that was effectively implemented that saw defense spending rise, and then in the latter 2 years of the 5-year time period, actually decline, which nobody thought would be the likely outcome.

Once we hit the target, that is, a balanced budget and budget in surplus sooner than anyone anticipated, the pressure for the maintenance of those caps, particularly an unrealistic level, was relieved and that part of the reason that the caps were not strictly adhered to in the out years 01 and 02 and onward.

But they—I would put the question to both of you. Were they not effective as a spending constraint throughout the 90s, beginning with the Budget Enforcement Act in 91?

Mr. GREENSTEIN. Well, I think they were effective from 90 through about 97. I actually think the caps set in the '97 balanced budget agreement did harm. And what I mean by that is because they were set so tight and they were waived away, once they were waived away, there was no real constraint in their place.

I think unrealistic discretionary caps are worse than no caps at all. Realistic discretionary caps as part of a larger balanced deficit reduction approach that covers every part of the budget, I think make sense.

Mr. RIEDL. I think Bob and I are in agreement on this. Spending caps work best when they're realistic. I believe the caps through most of the 90s were realistic enough that lawmakers felt an attachment to make them work. However, the caps remained a little tighter toward the end, and also once the budget was balanced, there was less political pressure to adhere to the caps.

And once a cap—if a cap requires a little bit of pain, I think lawmakers will endure that. If a cap endures a lot of pain, the law-

makers will sweep it away and say forget the whole thing. We're just going to spend as if there was no cap at all.

And so I agree that budget caps are important because I feel your pain as lawmakers having to listen to requests all day long for groups that are looking for funding. Some are justifiable, and I think some of them are questionable.

But I think lawmakers are assisted by spending caps that help them make the best decisions and then saying no those to whose claims on Federal funding are not as strong as others. And I think caps are a very important part of a spending control strategy.

Mr. GREENSTEIN. I do think there is a difficulty in having discretionary spending caps in the absence of what we had in the 90s: PAYGO rules. If you don't have PAYGO rules that apply to both entitlement increases and tax cuts, then appropriators can rightly feel that living within the caps is simply coming up with money to fund either an entitlement increase or a tax cut.

I think you have to have, as an essential part of the architecture PAYGO rules that cover both entitlements and revenues.

Mr. SPRATT. And what about enforcement, the sequestration process or some kind of extraordinary process, that either mandates across the board, abatement or does something to impede the process until you have adhered to the goals you have set yourself for the discretionary caps?

Mr. RIEDL. I think right now caps can be—spending caps can be waived too easily, and I think I would like to see some sort of super majority requirement. I'm not—there are many—there are different ways to enforce that sort of thing, but I think some sort of super majority requirement to exceed a discretionary——

Mr. SPRATT. Would you apply that to defense discretionary as well as——

Mr. RIEDL. Yes, I would. I think even at defense, if it's important enough to exceed a cap, it should have no problem getting a super majority vote.

Right now we see this with emergency spending, today, which is even easier, but we saw this in the 90s, that it was too easy to waive a cap. Of course, there has to be, I believe, some sort of sequestration formula if it's done around a super majority rule, but something—I think it has to be tightened up for it to have teeth.

Mr. GREENSTEIN. The 1990 Budget Enforcement Act (BEA) had both PAYGO rules and the discretionary caps, and both were backed by sequestration enforcement mechanisms. I continue to be a fan of the 1990 BEA architecture.

Mr. SPRATT. Mr. Greenstein showed some fairly draconian reductions in discretionary spending at the end of the 5-year period we are now forecasting. You mentioned that discretionary caps are not useful if they are not realistic. Do you regard the percentage level decreases that he portrayed up there, depicted up there, is realistic?

Mr. RIEDL. I have a two-part answer to that question. First, I think Congress would have a very difficult time adhering over the next 5 years to the numbers in President Bush's budget. If I were—I think any of us, if we were finding a way, could find a way to fund our priorities and make it work, but I think when you look at 435 Members of Congress having to work together to write a

budget, I think it would be very difficult to hold the caps that would actually reduce total discretionary outlays by $40 billion in 2011 versus what they are today. I think that would be quite difficult for Congress.

The second part of my answer is one—well, we always look at these 2011 projections. I think there are two points to make on that. First, President Bush will not be in office when the 2011 budget is written.

Second, we have actually—I have a sheet I can hand around that shows the evolution of the out-year numbers in President's Bush's budget since he has become president. And what it shows is that the President's budgets have always, to a degree, low-balled the out-year numbers and then gotten higher and higher as we—the closer we get to them.

On average, the President's budget proposal for the following year was $59 billion more than he proposed the year before when that was an out year, and $91 billion more than he has proposed 2 years ago when it was 2 out years.

And so what that shows is that every year we get closer to these out years, the numbers do go back up. And so I wouldn't put a lot of weight into the President's out year numbers.

I mean to give an example, his first budget, released in February 2001, forecast a projection of $787 billion in discretionary spending for 2007. When we actually got to the 2007 budget proposal this year, he proposed one trillion and $29 billion, about $240 billion more than a few years ago when this was an out year. And I think that's actually typical. And so I would not put a lot of weight into the 2010 and 2011 numbers. Again, not only will President Bush not be in office, but the numbers usually go up as the President goes.

Mr. GREENSTEIN. I would somewhat disagree with that.

Mr. HULSHOF. Mr. Chairman, could we have regular order. I have got a plane to catch just——

Chairman NUSSLE. Go ahead. Go ahead.

Mr. HULSHOF. I appreciate that.

Chairman NUSSLE. Sure.

Mr. HULSHOF. First of all, I apologize for not being with you yesterday during the mandatory hearing. As you know, we had a couple of hearings in Ways and Means with Secretary Snow and also U.S. Trade Representative Portman. Today we are 683 days away from the baby boomers beginning to retire, and one out of every two baby boomers will in fact take early retirement. I know that was the subject of yesterday's hearing.

But let me move now then, and I think perhaps capturing your frustration, Mr. Chairman, my most famous constituent, Mark Twain, said that there are lies, there are damn lies, and there are statistics.

Mr. SPRATT. Disraeli said that.

Mr. HULSHOF. And I think that probably the conflict and conclusions, maybe the numbers are the same or assumptions are the same, but the conclusions are different, and certainly, Mr. Greenstein, I acknowledge that you do put qualifiers in your testimony, for instance, on page 1, on a real per capita basis, and then your conclusion, as a share of the economy, and then your conclusion.

Although I do want to take a bit of an issue with you when you say everything on the table. Let me take that assumption for the purpose of this question. You don't do that in your testimony.

You acknowledge on page 8 that tax expenditures should be included, for instance, as far as program assessment rating tool, and yet you don't take that into account when you talk about programs that are being cut.

An example would be, for instance, on page 2, funding for energy programs. And I recognize you're focusing on discretionary. But when you consider the energy bill, and we provide tax incentives for renewable fuels, or we provide tax incentives for hybrid vehicles, or we provide tax incentives for conservation and weatherization and building homes that are energy efficient, were we to take your conclusion on page 8, the tax expenditure should be on the table because in your words, everything is on the table, then perhaps we should include tax expenditures on these energy conservation areas to perhaps take issue with your conclusion that funding for energy programs will be cut.

We could make the same argument as far as education savings accounts, prepaid tuition plans, et cetera, as far as education funding is being cut. And so I realize, again, your appropriate qualifiers are there on page 2, and yet I would suggest that later in your testimony, that you talk about everything being on the table and I would—that's just something I would note.

Let me ask you this, Mr. Greenstein. Yesterday Secretary Snow told us that the top 5 percent of taxpayers in this country, which is roughly $130,000 or above, 5 percent of taxpayers in this country pay over half the bills. And I think I heard him say 55 percent of the Nation's bills. Is that an appropriate number? Is it too little or is it too high in your opinion?

Mr. GREENSTEIN. Well, I don't think one can assess the figure in the absence of a second figure, which is what percentage of the national income goes to the top 5 percent. Now, I would be happy to get back to you. I don't have all of the figures here with me.

I would note, however, that the best data on trends in income, pretax and after tax, and tax rates is a series published by the congressional budget office that currently runs from 1979 through 2003.

Those data show a fairly dramatic increase in recent years—I don't mean just under President Bush, but over the whole 24-year period—the significant increase in the percentage of income at the top——

Mr. HULSHOF. Well, let me say this to you and get back with me, because my time, I want to try to stay close—I want to stay close to my——

Mr. GREENSTEIN. Can I make one quick statement——

Mr. HULSHOF. If you can make it quick, sir.

Mr. GREENSTEIN [continuing]. Which is simply that I think the more relevant question is "what percentage of income are we collecting in taxes from people of different income groups?" And it has dropped significantly at the top as a result of the tax cuts.

Mr. HULSHOF. I would take issue. In fact, let's continue this dialogue. You may get to come in front of our committee sometime, but yesterday, Secretary Snow also pointed out the fact that after

the 2001 and 2003 tax relief items, that the upper-income taxpayers in this country are actually paying a greater share of the nation's bills today after the tax relief than they were before. But again that's something that you and I can discuss.

Mr. GREENSTEIN. It's true for income taxes, but not for total taxes.

Mr. HULSHOF. I can't help what South Carolina property taxes are, or the State——

Mr. GREENSTEIN. Total Federal taxes.

Mr. HULSHOF. OK.

Mr. GREENSTEIN. Not true for total Federal taxes.

Mr. HULSHOF. Let me ask your opinion quickly, as my time dwindles, because you talk about the AMT. May I assume that you would agree that even a temporary patch, since it's not—was not indexed—I think the last time Congress had the opportunity, was in 1993, to index incomes so that they would not be subject to AMT, that salary for Member of Congress, that we should not be providing tax relief? Some have said that the AMT is hitting the middle class.

In Keokuk or Ames or Ottumwa, certainly in Memphis, Paris and Mexico, Missouri, $160,000 is not middle class. It's upper income. And so I think, you know, often what we say was the AMT fix is hitting the middle class and it's difficult for me to explain to constituents in Missouri that $160,000 plus a year, what Members of Congress make, is somehow in the middle class.

May I assume that you would be opposed either personally or as the executive director of Center on Budget and Policy Priorities that we should not provide this temporary relief or even permanent relief as far as the AMT is concerned, or is that an incorrect assumption on my part?

Mr. GREENSTEIN. An incorrect assumption. I agree with you that claims that the AMT is killing the middle class are really somewhat overblown rhetoric. The bulk of the AMT collections now come from people with incomes between $200,000 and $500,000 a year.

I am concerned, however, that if we don't do any AMT relief at all, eventually it really will get into the middle class. Is it there in a big way now? No. But if you go out 10 years, you would have over 40 million filers subject to the AMT.

Ideally, we would have a tax system where we didn't need an AMT, but I think it's unlikely that we will—I loved the '86 Tax Reform Act. It's unlikely we will eliminate so many tax expenditures and breaks that we won't need an AMT.

So I think what we need is to do some AMT reforms so that it doesn't, over time, get down into the middle class, and I think we have to pay for them. I do favor PAYGO, including for the AMT relief.

Mr. HULSHOF. Perhaps we can continue this discussion in further hearings. I know you're frequently a witness in front of our Committee. I want to—sorry—Mr. Riedl. I want to try to practice what I preach, and I see my time has expired, and so I would yield back. Thank you, Mr. Chairman.

Chairman NUSSLE. Mr. Spratt is recognized to continue.

Mr. SPRATT. That's OK.

Chairman NUSSLE. You were done?

Mr. SPRATT. The one question I was about to ask—I mean I was glad to yield. If you want more time, I will gladly yield. One question I was about to ask is it appears to me that in the Bush proposals for mitigating the deficit, almost all of the weight comes down on discretionary domestic spending.

Certainly defense, certainly international spending are demonstrably going up. It's only 16.3 percent of the total piece of pie, to the total pie. And yet we see, Mr. Riedl—is it Reedal, Ridal——

Mr. RIEDL. Reedl.

Mr. SPRATT. Riedl, that the cuts by year five have become very significant and probably unrealistic. How far can we go? Just how much can be squeezed out of discretionary spending constraints realistically over the next 5 years to be applied to deficit reduction or deficit mitigation?

Mr. RIEDL. Long term, non-defense discretionary spending is not going to solve our problems. The entire non-defense discretionary budget is under $500 billion. The deficit within a couple of years is going to be $500 billion. As a matter of fact, we project the deficit by 2016 hitting $800 billion.

That's not to say that these programs should—I believe caps can help these programs. I believe all parts of the budget should be on the table, and that these programs can play a part. Long term, though, this is a criticism that I have with the President's budget. Most of the long-term deficit reduction, by our calculation, 25 percent of it comes from excluding the AMT after 2007, and the other 75 percent comes out of discretionary spending.

You know, long-term entitlements are growing so fast, we will not get spending under control. We will not get the budget deficit under control until we tackle Social Security, Medicare, and Medicaid.

Again budget caps are important on discretionary. There is a role to play there, but long term, the game is big three entitlements.

Mr. SPRATT. Mr. Greenstein.

Mr. GREENSTEIN. It's difficult for me to come up with a figure and say here's the figure for what you could get from domestic discretionary. I want to refer back to a point which I agree with that Brian made a few minutes ago, which is: if we did not live in the world we do and were not subject to the lobbying pressures we are, one could get by—if one could surgically figure out where to get savings in domestic discretionary, regardless of interest group pressures with a lower level than you can in the real world.

Part of the fears that I have about various parts of the budget is the fear that a realistic cut may be proposed, the interest groups may push back, and Congress may get the money in a less reasonable way instead, and just one quick example, the Medicare proposals that the President has in the budget, a number of them come from the MedPac recommendation. My two concerns with them are, one, I wish they were going for deficit reduction rather than to offset a portion of the tax cut, but two, and this is the point I want to make, I have a little bit of a fear that the provider groups will push back and the savings could get pushed into hitting low-income beneficiaries in Medicaid instead.

To the degree that Congress is able to withstand various interest group pressures, there is an ability to do more in any part of the budget, and the more we can withstand interest group pressures on all parts, including revenues, the better we can do, and that's why I end up thinking that if you can put every part of the budget on the table and have some kind of bipartisan agreement, kind of like the 83 Social Security Commission, where everybody holds hands together, that it's easier to take on interest groups than if you say we're just going after one part of the budget and we're shielding other parts of the budget.

Mr. SPRATT. Thank you very much, both of you. Appreciate your testimony.

Chairman NUSSLE. Thank you, panel. If there's nothing further to come before the Committee, we will stand adjourned.

[Whereupon, at 1:23 p.m., the hearing was adjourned.]

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