
OVERVIEW AND HIGHLIGHTS OF THE PRESIDENT'S BUDGET

SUMMARY

The President's \$2.1-trillion fiscal year 2003 budget request places the highest priority on the war against terrorism overseas and at home, and supporting the economic recovery to assist unemployed workers and foster job creation.

To implement that agenda, the President's budget proposal focuses resources on security and economic priorities, and limits the overall growth in discretionary spending, excluding national and homeland security, to 2 percent.

KEY COMPONENTS

- **Protecting the Homeland:** The budget provides an increase of \$38 billion for homeland security. This amount includes \$3.5 billion in grants are designed to equip and train "first responders" (firefighting, law enforcement, emergency medical personnel) to respond to potential future threats. Total spending for the Department of Health and Human Services' bioterrorism efforts would rise \$1.5 billion to \$4.3 billion to counter the threat of bioterrorism with enhancements in hospitals and other public health facilities, research and development, pharmaceutical stockpile, and a national information network for better detection of biological attacks as well as natural disease outbreaks. The budget also provides significant increases for the Immigration and Naturalization Service, the United States Customs Service, the United States Coast Guard, and the Transportation Security Administration [TSA]. The TSA will improve aviation security by deploying explosive detection systems and other airport security equipment, facilitating airport passenger and baggage inspection, and hiring and deploying more Federal Air Marshals.
 - **Winning the War on Terrorism Abroad:** The Department of Defense budget request of \$369.3 billion – a 12-percent increase over the previous year's level – would be the largest DOD budget increase in 20 years, and is intended to provide the resources needed to win the war on terrorism. The budget supports 250,000 forward-deployed troops in the war on terrorism, and increases funding for programs found effective in the war in Afghanistan, including at least \$3 billion to improve intelligence gathering and computer
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networking. In addition to the \$369-billion budget plan, the President has requested a \$10 billion “war reserve” that can be tapped as needed to prosecute the global war on terrorism. This is a major departure from previous practice; military contingency operations have traditionally been paid for after the fact by means of supplemental budget requests.

The budget expands efforts to reduce the threat of proliferation of weapons of mass destruction by \$1.5 billion. It also increases and targets military assistance to sustain key countries supporting the United States in the war on terrorism by increasing Foreign Military Financing [FMF] by \$457 million.

- **Returning to Economic Vitality:** The President has included in the budget the “Bipartisan Economic Security Plan,” based on legislation passed in the House in December but not acted on in the Senate. Specifically, the budget contains \$8 billion in spending and \$65 billion in tax relief in fiscal year 2003 to create new jobs and assist dislocated workers. In addition, the President’s budget proposal limits the overall growth in discretionary spending, excluding national and homeland security, to 2 percent, and proposes returning the budget to balance by no later than fiscal year 2005.
- **Other Tax Policies:** The President’s budget also contains the following tax provisions:
 - *Provide Incentives For Charitable Giving* - Allow deductions for non-itemizers; permit tax-free withdrawals from IRA accounts; raise the cap on corporation contributions, expand and increase the Enhanced Charitable Deduction for Contributions of Food Inventory; reform the excise tax based on the investment income of private foundations; modify tax on unrelated business taxable income of charitable remainder trusts; modify basis adjustment to stock of S Corporations contributing appreciated property; and allow expedited consideration of applications for exempt status.
 - *Strengthen And Reform Education* - Provide refundable tax credits for private school costs of students attending failing public schools, and allow teachers to deduct out-of-pocket classroom expense.
 - *Invest In Health Care* - Provide a refundable tax credit for the purchase of health insurance; provide an above-the-line deduction for long-term care insurance premiums; allow up to \$500 in unused benefits in a Health Flexible Spending Arrangement to be carried forward to the next year; provide additional choice with regard to unused benefits in a Health Flexible Spending Arrangement; permanently extend and reform Archer Medical Savings Accounts; and provide an additional personal exemption to home caretakers of family members.
 - *Assist Americans With Disabilities* - Exclude from income the value of employer-provided computers, software, and peripherals.

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- *Help Farmers And Fishermen Manage Economic Downturns* - Establish Farm, Fish, and Ranch Risk Management [FFARRM] Savings Accounts.
 - *Increase Housing Opportunities* - Provide tax credits for developers of affordable single-family housing.
 - *Encourage Savings* - Establish Individual Development Accounts [IDAs].
 - *Protect The Environment* - Permanently extend expensing of brownfields remediation costs, and exclude 50 percent of gains from the sale of property for conservation purposes.
 - *Increase Energy Production And Promote Energy Conservation* - Extend and modify the tax credit for producing electricity from certain sources; modify treatment of Nuclear Decommissioning Funds; provide excise tax exemption for ethanol; and provide tax credits for: residential solar energy systems, the purchase of certain hybrid and fuel cell vehicles, energy produced from landfill gas, and combined heat and power property.

OTHER ISSUES

- **Education:** The budget funds the No Child Left Behind Act, which includes \$1 billion for the Reading First Initiative and a \$1 billion increase to help low-income students meet new reading and math standards. It also provides an historically high funding level of \$8.5 billion for special education.
- **Health:** The budget doubles (compared with 1998) National Institutes of Health funding; proposes a prescription drug benefit through Medicare; initiates a refundable tax credit to subsidize up to 90 percent of the cost of health insurance; and includes a \$9 million increase to expand breast and cervical cancer screening for low-income women.
- **Compassion:** The budget funds the President's Compassion and Faith-Based Initiatives, totaling \$6 billion annually when fully phased in. Included are new charitable giving tax credits, \$100 million for the Compassion Capital Fund, \$10 million for Maternity Group Homes, \$25 million for Mentoring Children of Prisoners, and \$20 million for a Responsible Fatherhood Initiative.
- **Income Assistance:** The President requests \$4.8 billion for the Women, Infants, and Children [WIC] program; \$277 million for low-income weatherization assistance; \$1.5 billion to support 122 Jobs Corps residential training centers; and a new tax credit for low- and middle-income Americans for up to 50 percent of the cost of constructing a new home or rehabilitating an existing home.

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- **Environment:** The budget provides more than \$900 million for the Land and Water Conservation Fund; \$54 million for National Wildlife Refuges; and record levels for the Environmental Protection Agency's [EPA's] operating budget and State grant programs.
 - **Agriculture:** The budget proposes \$73.5 billion over 10 years to fund a farm bill that will provide a solid safety net for all farmers and ranchers, expand markets abroad, and increase resource conservation.
 - **Energy:** The administration proposes \$9.1 billion in tax incentives over 10 years to develop alternative technologies, including renewable electricity generation, residential solar energy systems, and hybrid and fuel cell vehicles.
 - **Election Reform:** In line with recommendations made by former Presidents Carter and Ford, the budget provides \$1.2 billion over three years to assist States with the acquisition of new voting machines, voter education, and poll worker training.