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President Bush Releases the FY 2006 Budget – President Bush released his \$2.57 trillion budget to Congress Monday, a proposal strongly prioritizing the Department of Defense while attempting to halve the deficit by 2009. The following legislative update provides a preliminary overview of the President’s budget as it affects tribes in setting the nation’s fiscal course for the year. The entire budget is available on-line at www.whitehouse.gov/omb/budget/fy2006 . If you have any questions, contact Amber Ebarb at aebarb@ncai.org or call 202-466-7767.

Budget Overview

The almost 2,500 page budget proposes an overall increase of 2.1% in all foreign and domestic discretionary spending, which lags behind the projected 2.3% annual rate of inflation. In the tightest budget submitted to Congress of this Presidency, the Administration proposes to cut all discretionary domestic spending outside of national security by 0.7%, with proposed funding for foreign aid rising by 17%. For Defense, the spending blueprint would provide 4.8% over the FY 2005 enacted level, an increase of \$19.3 billion which exceeds the net \$17.6 billion increase for discretionary spending as a whole, the appropriated funding Congress controls each year. The President’s budget requests deep cuts and flat funding for non-military discretionary programs, which make up less than 20% of the entire budget, to finance Defense increases and to reduce the deficit. The President also proposes to eliminate 150 non-military programs, with 48 in the Department of Education, that the Administration deems ineffective.

The spending plan does not provide for the future expenses of the military operations in Iraq and Afghanistan, estimated to cost up to \$80 billion more, nor does the plan include the transition costs of restructuring Social Security to set up private accounts. The proposal also assumes that the temporary tax cuts enacted over the past several years will remain in effect after their expiration dates. Of the 16 Cabinet level agencies, nine will receive reductions with the steepest cuts slated for the Department of Housing and Urban Development. Below is a snapshot of proposed budget authority levels by agency for FY 2006, followed by analysis of the proposals for specific programs relevant to tribal governments and American Indians and Alaska Natives.

Discretionary Budget Authority

Agency (\$ in billions)	FY2005 Estimate	FY2006 Proposed	% Change
Agriculture	21.4	19.4	-9.6%
Commerce	6.3	9.4	49.0%
Defense	400.1	419.3	4.8%
Education	56.6	56	-0.9%
Energy	23.9	23.4	-2.0%
Health and Human Services	69.2	68.9	-0.5%

Agency (\$ in billions)	FY2005 Estimate	FY2006 Proposed	% Change
Homeland Security	29	29.3	1.2%
Housing and Urban Development	32.2	28.5	-11.5%
Interior	10.8	10.6	-1.1%
Justice	20.2	19.1	-5.5%
Labor	12	11.5	-4.4%
State/International Assistance	27.5	31.8	15.7%
Transportation	12.7	11.5	-6.7%
Treasury	11.2	11.6	3.9%
Veterans Affairs	30.6	31.3	2.1%
Environmental Protection Agency	8	7.6	5.6%
Corps of Engineers	4.7	4.3	-7.2%
National Aeronautics and Space Admin.	16.1	16.5	2.4%
Social Security Administration	7.5	7.7	2.8%

Bureau of Indian Affairs

The Bureau of Indian Affairs budget request is \$2.2 billion, a level \$108.2 million below the FY 2005 enacted amount. The Operation of Indian Programs would receive \$1.9 billion, a \$1.9 million decrease. Significant changes in the BIA budget include increases for Public Safety and Justice, Indian Education and School Construction, and a proposal to restructure the BIA Operation of Indian Programs account. The below table outlines funding levels, followed by highlights of key changes and initiatives.

BIA Funding Table (in thousands)	FY 2004 Actual	FY 2005 Enacted	FY 2006 Request	Change: 2005 enacted
BIA Operation of Indian Programs				
Tribal Priority Allocations	770,634	769,543	760,149	-9,394
Other Recurring Programs	614,723	612,919	602,301	-10,618
Non-Recurring Programs	76,228	75,985	65,325	-10,660
Central Office Operations	88,506	140,021	151,534	+11,513
Regional Office Operations	63,685	41,362	41,590	+228
Special Programs/Pooled Overhead	280,101	286,261	303,331	+17,070
Total – Operation of Indian Programs	1,893,291	1,926,091	1,924,230	-1,861
BIA Construction				
Education	294,954	263,372	173,875	-89,497
Public Safety and Justice	4,983	7,381	11,777	+4,396
Resources Management	38,678	40,289	38,272	-2,017
General Administration	2,156	2,126	2,136	+10
Construction Management	6,056	5,961	6,077	+116
Total – BIA Construction	346,827	319,129	232,137	-86,992
Indian Land and Water Claims Settlements				
Miscellaneous Payments To Indians	59,866	44,150	24,754	-19,396
Indian Guaranteed Loan Program	6,417	6,332	6,348	+16
Total – Department of Interior, BA	10,880,000	10,864,000	10,763,000	-101,000

Operation of Indian Programs

Law Enforcement Increases in Special Programs/Pooled Overhead – The FY 2006 Interior Budget in Brief notes the poor conditions documented in the September 2004 Office of Inspector General report on Indian Detention facilities, as well as the expiring Department of Justice Community Oriented Policing Services grants program. The BIA budget includes a \$19.2 million increase in funding to: 1) expand law enforcement programs in areas where violent crime is most severe and COPS grants are due to expire; 2) staff, operate, and maintain detention facilities built with Department of Justice funding which will be certified for occupancy in 2006; 3) outsource detention of individuals to local jurisdictions where BIA facilities do not comply with national standards; and 4) begin a comprehensive program to improve and repair BIA detention facilities.

Within OIP funding, Special Programs and Pooled Overhead would rise by \$17 million with increases requested for the following: \$4.086 million for operational costs for new detention centers; \$3.2 million for operations and maintenance of existing detention centers; \$5 million to outsource detention of detainees to local jurisdictions in places where BIA facilities are non-compliant; and \$2.5 million to expand law enforcement programs in areas where violent crime is most severe.

Operation of Indian Programs: Budget Restructuring – “In an effort to improve budget and performance integration, BIA is proposing a revised budget structure for the Operation of Indian Programs account. By grouping programs by function rather than organization, the proposed structure will facilitate performance measurement and improve program management. The revised structure will also greatly simplify the budget and reduce the number of line items by 50 percent” (FY 2006 Interior Budget in Brief, BH – 84).

Reforming Tribal Priority Allocations – “Indian Tribes are becoming more business-oriented and are seeking more control over their lands and economic and cultural decisions. In addition, BIA is helping to expedite key energy and mineral resource development opportunities through the timely processing of joint-venture development and lease agreements. The Administration believes TPA could be improved by targeting funding to the areas of greatest need.” (FY 2006 Budget of the U.S. Government, p. 190).

“The funding process used today is a formula allocation based on historical funding levels established in the early 1970s, and has remained essentially the same. In an effort to improve program accountability and to ensure that funding is targeted to the areas of greatest need, the Department will evaluate the allocation of funds within the TPA program and consult with Tribes to examine ways to better distribute TPA funding” (FY 2006 Interior Budget in Brief, BH – 86).

TPA Reductions – TPA would be reduced \$9.39 million from FY 2005 enacted levels, and would include the following reductions due to “lack of accountability, duplication of other Federal or State programs, and implementation of management efficiencies”: -\$6.42 million to welfare assistance, -\$8.84 million to Johnson O’Malley Grants, -\$1.162 million to community fire protection, -\$0.431 million to energy development grants, -\$1.8 million to probate, and -\$1.41 million to administrative services at the agency office level.

Central Office Operations – Central Office would receive an \$11.5 million increase, the largest proportionally in the OIP account, with \$8 million requested to process probate cases. \$0.5 million would establish an economic development commission.

Indian Education – \$2 million is requested under Other Recurring programs for pilot leadership academies at Indian schools. A \$9.766 million decrease is proposed for Tribally Controlled Community Colleges.

Construction – The budget proposal includes an \$89.5 million cut for school construction. The proposed budget of \$173.9 million will fund “the second school on the priority list, Porcupine Day School in South Dakota, and phase I of the third school on the priority list, Crownpoint Community School in New Mexico.”

Office of Special Trustee for American Indians

The 2006 request for Office of Special Trustee (OST) accounts totals \$303.9 million, with a proposed net increase of \$113.6 million for trust improvements.

(in thousands)	FY 2004 Actual	FY 2005 Enacted	FY 2006 Request	Change from 2005 enacted
Office of Special Trustee	187,304	191,540	269,397	75,857
Indian Land Consolidation Program	21,709	34,514	34,514	0

Historical Trust Accounting – A significant increase would provide funds to continue conducting a historical accounting of both individual and tribal accounts, an increase of \$77.8 million. Within OST is \$135 million for the Office of Historical Trust Accounting, a level based on “an estimate of the Department’s costs to continue implementation of the *Historical Accounting Plan for Individual Indian Money Accounts*. This amount may be revised depending on the outcome of the court rulings in *Cobell v. Norton* and congressional action, which could potentially delineate the specific historical accounting obligations of the Department.”

Indian Land Consolidation – No increases were requested for the Indian land consolidation program from the FY 2005 enacted level. NCAI continues to support this program, an investment in which will do more to save on future trust administration costs than any other item in the trust budget.

Indian Health Service

The 2006 budget request for IHS is \$3.8 billion, a net increase of \$72 million over FY 2005. Increases in the budget include: Clinical Services (\$128 million increase); Contract Health Services (\$27 million increase); Preventive Health (\$9 million increase); Sanitation Construction (\$2 million increase); Facilities and Environmental Health Support (\$9 million increase); and \$1 million increases each for Urban Health, Direct Operations, and Indian Health Professions. The President’s budget also calls for a \$23 million increase to staff new outpatient clinics. The funding request remained level for Tribal Self-Governance and Diabetes Grants. The Administration’s budget proposes to decrease the amount of funding for Health Care Facilities Construction by \$86 million.

IHS Funding Table (in millions)	FY 2004 Actual	FY 2005 Enacted	FY 2006 Request	Change: 2005 enacted
Indian Health Service:				
Clinical Services	2653	2723	2851	128
Contract Health Services (Non-Add)	479	498	525	27
Preventive Health	107	110	119	9
Contract Support Costs	267	264	269	5
Tribal Management/Self-Governance	8	8	8	0
Urban Health	32	32	33	1
Indian Health Professions	31	30	31	1
Direct Operations	61	62	63	1
Diabetes Grants	150	150	150	0
Subtotal - Services Program Level	3309	3379	3524	145
Indian Health Facilities:				
Health Care Facilities Construction	94	89	3	-86
Sanitation Construction	93	92	94	2
Facilities & Env. Health Support	138	142	151	9
Maintenance & Improvement	55	55	56	1
Medical Equipment	17	17	18	1
Subtotal - Facilities Program Level	397	395	322	73
Total - Program Level	3706	3774	3846	72

Health and Human Services

The FY 2006 budget totals \$642 billion in outlays, an increase of \$58 billion, or 5.8 percent over the comparable FY 2004 budget. The discretionary portion of the HHS budget totals \$67 billion in budget authority. Highlighted below are some of the programs affecting tribes within HHS.

HHS Funding Table	(\$ in millions)		
	FY 2005 Enacted	FY 2006 Request	Change from 2005 enacted
Administration on Aging			
Aging Grants for Native Americans	26	26	0
Administration for Children and Families			
Head Start	6,843	6,888	45
Promoting Safe and Stable Families	98	105	7
Child Welfare Services	290	290	0
Administration for Native Americans	45	45	0
Health Resources and Services Administration	6,809	5,972	-846
Community Health Centers	1,734	2,038	304
Ryan White AIDS	2,073	2,083	10
National Institutes of Health			
Minority Health and Health Disparities	196	197	1
Diabetes and Digestive and Kidney Diseases	1,864	1,873	9
Substance Abuse and Mental Health Services Admin.	3,269	3,215	-54

Head Start – The budget request is \$6.8 billion, reflecting a proposed \$45 million increase. Tribes receive a 2.9% set-aside of Headstart funds.

Administration on Native Americans – The Administration on Native Americans budget request remained constant with FY 2004 and 2005 budget requests at \$45 million.

Housing and Urban Development

The Administration requested a few increases, such as for Title VI Loan Guarantee, but fail to offset the proposed losses for Indian Country. Currently in the FY 2005 appropriations, the Indian Community Development Block Grant (ICDBG) is funded at \$68 million and the Native American Housing Block Grant is funded at \$622 million for combined \$690 million for Indian housing. The President proposes rolling the ICDBG into the Native American Housing Block Grant for a combined total of \$583 million, which would translate into a loss of \$107 million in housing for Indian Country. The ICDBG will stay in the Department of Housing whereas the other CDBG programs will move under the Department of Commerce.

HUD Funding Table	(in millions)			
	FY 2003 Enacted	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Request
Indian Housing Block Grant	649	654.1	627.0	582.6
Title VI Loans	2.0	2.0	2.0	4.8
Section 184 Indian Housing Loan Guarantee Prgm	5.3	5.3	5.0	2.65
Indian Community Development Block Grant	71.0	72.0	69.0	--
Rural Housing and Economic Development	25.0	25.0	24.0	--
Empowerment Zones/Enterprise Communities	30.0	15.0	10.0	--

Department of Education

The budget request under the Indian Education Act is \$120 million, the same amount enacted in FY 2005. There is a shift in the funding within the Acts divisions. A \$1.1 million dollar increase is requested for grants to local educational agencies, taken from the budgeted amount for research, evaluation and data collection. A decrease of \$10 million is proposed for education programs benefiting Native Hawaiians and Alaska Natives, including a \$5.4 million decrease for strengthening Alaska Native and Native-Hawaiian-serving institutions.

Education (\$ in thousands)	FY 2005 Enacted	FY 2006 Request	Change from FY05 to FY06
Impact Aid	1,243,862	1,240,862	-3,000
Indian Education Act	119,889	119,889	0
Formula Grants to LEAs	95,165	96,294	1,129
National Activities (Research, Eval., Data)	5,129	4,000	-1,129
Special Programs (incl. Indian Teacher Corps)	19,595	19,595	0
Education for Native Hawaiians	34,224	32,624	-1,600
Alaska Native Education Equity Assistance Program	34,224	31,224	-3,000
Strengthening AN, Native HA-Serving Institutions	11,904	6,500	-5,404
Strengthening Tribal Colleges	23,808	23,808	0
Tribally Controlled Postsecondary Institutions	7,440	7,440	0

Department of Veterans Affairs

Department of Veterans Affairs is requesting a record \$70.8 billion in the fiscal year 2006 budget for the Department with the majority of increases targeted for health care and disability compensation. The FY06 budget proposal includes \$750 million for the Capital Asset Realignment for Enhanced Services (CARES) program, bringing the total department investment to date to \$2.15 billion. The FY 2006 budget request also calls for a total investment of \$2.2 billion in enhanced mental health services, which is \$100 million above this year's funding level. This budget proposal will shore up care for veterans with mental health issues, to include comprehensive treatment for those veterans with post-traumatic stress disorder. \$1.2 billion will be used for prosthetics and sensory aids, a \$100 million increase over FY05. Funding for non-institutional long-term care would increase by more than 18 percent over FY05, with a total investment of \$400 million in the President's proposed budget.

Department of Energy

The FY 06 budget includes \$230 million for Weatherization Assistance, to cut the utility bills for low-income families. The proposed funding for Yucca Mountain Nevada currently undergoing licensing procedures as the nations' spent nuclear fuel and high-level radioactive waste repository site, has been increased from \$572 million to \$651 million. The Environmental Management program which oversees nuclear weapons production and energy research site cleanup will be cut back to 6.5 billion from an FY 05 level of \$7.2 billion. Tribal lands containing cultural and natural resources are impacted by the radioactive and hazardous waste at many of these sites.

NCAI will provide further analysis of the President's budget proposals for the Departments of Agriculture, Justice, Homeland Security and others as budget documents become available. Updated versions of this broadcast will be posted on the NCAI website at www.ncai.org. NCAI has also posted the [FY 2006 Tribal Budget Request](http://www.ncai.org/data/docs/media/2005/FY06BdgtReqFINAL.PDF) at www.ncai.org/data/docs/media/2005/FY06BdgtReqFINAL.PDF.