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FY2016

Special Report: The President's Budget

A Look Inside the Proposals for Defense, Transportation and Energy Spending

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The president released his 2016 budget proposal this week, outlining an ambitious set of goals that are sure to impact his ability to work with the Republican Congress and influence next year's presidential race. In this report, CQ Roll Call's top reporters and editors dissect the major elements of the budget – including the top prospects for compromise – and how it will impact **defense, transportation and energy.** For more detailed coverage, look to CQ.com and BudgetTracker for daily updates.

President Barack Obama's opening salvo in this year's budget wars with the new Republican Congress aimed to shift the conversation away from four years of austerity. He received a predictably frosty reception.

Obama's $4.066 trillion budget would unshackle discretionary spending from the legislative tourniquet known as the sequester. That allows about a 7 percent increase in defense and domestic discretionary programs, or $74 billion.

"I want to work with Congress to replace mindless austerity with smart investments," Obama said this week as he announced his fiscal 2016 budget.

"I'm not going to accept a budget that locks in sequestration going forward. It would be bad for our security and bad for our growth," Obama said in what is effectively a veto threat setting the stage for a yearlong fight with the GOP. He added he wouldn't allow Republicans to increase defense spending without also increasing domestic "investments," which he implied would pay for themselves.

Obama would impose about $2 trillion in assorted tax hikes over a decade mostly targeting the wealthy and corporations, while showering the middle class with $277 billion in new tax breaks. Much of the rest would pay for new spending, targeted tax breaks and deficit reduction.

That effectively sets the starting point for talks with the GOP, with administration officials hoping it eventually leads to a budget deal at least along the lines of the modest two-year agreement reached in 2013 by Rep. Paul D. Ryan, R-Wis., and Sen. Patty Murray, D-Wash.

As in previous budgets, Obama makes no effort to eliminate the deficit — merely keeping it below 2.5 percent of gross domestic product.

"Since I took office, we have cut our deficits by about two-thirds," Obama said.

He emphasized investments in research, college and other domestic programs instead. "We would be making a critical error if we avoided making these investments," he said.

Federal coffers would see another $5.6 trillion in accumulated deficits over the coming decade, never dropping below $463 billion in a year. (It would be $474 billion in 2016.)

Total spending would be $50.3 trillion over a decade, versus $44.7 trillion in revenue.

Gross debt, which includes items such as student loans not counted in the deficit, would jump to $26.3 trillion in 2025, Republicans noted. A blizzard of Republican press releases coming from Speaker John A. Boehner of Ohio and on down the ranks dismissed the blueprint for proposing more spending and more taxes and promised a different approach.

Modest Economic Growth

The White House projects the economy will grow by an average of 2.8 percent over the next four years, with unemployment declining, inflation remaining low and interest rates rising gradually.

Contained in the president's budget request, the economic forecast assumes that the entire budget is enacted, which never happens.

After several years of higher growth, the administration said real GDP is projected to ease to 2.3 percent by 2019 and remain at that rate until the forecast ends in 2025.

"The slower growth in the last few years is due to the exhaustion of the cyclical factors that are still present in the near term," the report said. "Demographic factors also lower the labor force participation rate as the baby boom generation retires."

Compared to last year's economic forecast, this one assumes slower growth between 2014 and 2018.

The report also noted that its forecast of 2.3 percent economic growth in the final years of the projection is markedly slower than the average 3.2 percent economic growth since 1947. "In the 21st century, real GDP growth in the United States is likely to be slower than it was in earlier eras because of a slowdown in labor force growth, initially due to the retirement of the post-World War II baby boom generation, and later due to a decline in the growth of the working-age population."

The unemployment rate, which stood at 5.6 percent in December, is projected to fall to 4.8 percent by the end of 2017 and increase to 5.2 percent in the last six years of the decade.

Inflation is forecast to rise slightly, growing from 1.5 percent in 2014 to 1.8 percent in 2015, and then topping 2 percent in 2017 and beyond. "Weak demand, including from abroad, continues to hold down prices for many goods and services and continued elevated unemployment together with other measures of economic slack are expected to result in a relatively low inflation rate," according to the forecast.

The projection shows interest rates rising, "but only gradually as financial concerns are alleviated and the economy continues to strengthen." The rate on 91-day Treasury bills is forecast to rise from .4 percent in 2015 to 1.5 percent in 2016, increasing to 3.5 percent by 2023.

Other forecasts, such as those produced by the Congressional Budget Office and private economists, differ somewhat from the administration's projections, but they also anticipate a growing economy, low inflation and rising interest rates.

Challenging Republicans

But there are new proposals that challenge Republicans to come to the table — including a new corporate tax plan that would avert a funding cliff for transportation set to hit by summer. That plan would impose a 14 percent tax on about $2 trillion in corporate profits stashed overseas.

Republicans have at least entertained the idea of getting one-time revenue from bringing those profits back to America — and GOP leaders also have made averting the transportation funding cliff a priority (the trust fund that is used for highways and infrastructure could run dry in May without further funding).

An administration official emphasized the plan, unlike a "holiday" proposed by some in Congress, would not be voluntary and would provide enough money to boost transportation spending for the next six years.

The budget also gives details on the president's "middle-class" agenda, including tax breaks for everything from two-parent worker households to child care, free community college and a recycled proposal aimed at providing universal pre-K education paid for by a tobacco tax hike.

To pay for eliminating the remaining years of the sequester and to modestly shrink the deficit, Obama proposes a $1.8 trillion deficit reduction package. That's highlighted by a combination of $400 billion in health care savings, $160 billion from passing an immigration overhaul and taxes on the wealthy. However, those are ideas that have repeatedly crashed and burned.

His proposed cuts aren't as deep as Obama had entertained back in the "grand bargain" days, when he proposed such items as chained CPI, which would have the effect of shrinking increases in Social Security checks and numerous other programs.

Instead, the budget does a victory lap on the slowing growth in health care costs, which the administration attributes in part to provisions in the Affordable Care Act, and on the deep reductions in the deficit from the $1 trillion-plus deficits he posted in his first years in office.

Obama's deficit reduction package also would not keep up with what his own budget expects will be soaring interest costs on the $18 trillion federal debt. Interest costs would more than triple from $229 billion in 2015 to $785 billion in 2025.

Indeed, soaring interest payments account for all of the deficit in Obama's budget by 2022. That's due to an expectation that record low interest rates will start to rise, as well as the addition of trillions in additional debt.

Republican lawmakers vow to do what they have done in recent years and propose a budget that eliminates the deficit by the end of the 10-year window, and many have backed a balanced budget amendment to the Constitution that would mandate eliminating the deficit even sooner.

"The American people can't afford a repeat of the same old top-down policies of the past," Boehner said in his statement.

"Like the president's previous budgets, this plan never balances — ever. It contains no solutions to address the drivers of our debt, and no plan to fix our entire tax code to help foster growth and create jobs. Worse yet, President Obama would impose new taxes and more spending without a responsible plan to honestly address the big challenges facing our country."

Sequester Replacement Plan

The president's sequester replacement plan would trim mandatory and discretionary programs by $600 billion over 10 years, with about 70 percent of the savings coming from health overhaul proposals.

On the discretionary side, the administration is proposing cuts to programs including the Department of Housing and Urban Development's community development block grant program and airport grants from the Transportation Department, while saving money from the retirement of the Pentagon's fleet of A-10 Warthogs, a proposal that Congress blocked last year. It would also consolidate the National Preparedness Grant program at the Department of Homeland Security and nearly two dozen science, technology, engineering and mathematics programs across many government agencies.

For mandatory programs, the administration is calling for cutting Department of Energy coal, oil and gas tax preferences, overhauling the crop insurance program at the U.S. Department of Agriculture and other changes, totaling $69.5 billion in outlays and receipts over the next decade. Other savings come from changing mandatory health care programs at the Department of Health and Human Services and altering federal employee health benefits, which in total would save nearly $500 billion in outlays and receipts over 10 years.

The sequester replacement plan would also be paid for by raising nearly $640 billion in new tax revenue, mainly by reducing benefits for high-income households such as limiting the value of itemized deductions and other tax preferences to 28 percent and implementing the so-called Buffett rule, which would require that millionaires pay no less than 30 percent of income in taxes after accounting for charitable contributions.

Overall, the administration would do away with the sequester established under the 2011 deficit law by reducing the deficit $1.8 trillion over the next 10 years, a request the president has made in previous budgets, but which is deeply at odds with GOP proposals to change the sequester.

The administration also proposed increasing discretionary spending in fiscal 2016 by 7 percent, split evenly between defense and non-defense programs.

As in previous years, the administration's budget plan also counts $160 billion in deficit reduction that the Congressional Budget Office said would be realized over 10 years if Congress passed the Senate's bipartisan 2013 immigration deal, and almost $1 trillion over two decades, in part through boosts in tax revenues and higher projected economic growth.

"While the President's executive actions will provide temporary relief while demanding accountability for those whose cases are not an enforcement priority, the Administration urges the Congress to act to permanently fix the Nation's broken immigration system," the administration wrote in its request.

Prospects for a Deal

Administration officials say they are hopeful they can build on the 2013 bipartisan budget deal, which rolled back portions of the sequester to boost defense and non-defense spending, paid for using a combination of entitlement changes, user fee increases and other factors.

But it will be a tough year for that. While GOP defense hawks want to boost defense spending and are pushing for another budget deal with Democrats, many House conservatives view sequestration as a crowning fiscal achievement. They will likely insist on corresponding cuts for non-defense programs, which is a non-starter for Democrats, whom GOP leaders will need to pass any budget deal.

In 2013, Obama spent nearly the entire year demanding another tax hike as his price for cutting a big budget deal without success. Still, Obama said he's interested in talking with the GOP. "I welcome their ideas, but their numbers have to add up," he said.

The sequester mechanism will continue to remain in effect for fiscal 2016 if lawmakers do not adhere to rigid defense and nondefense spending caps, or pass a law to adjust, suspend or repeal the across-the-board cuts.

Without another deal, under the 2011 deficit law, discretionary spending is largely expected to stay frozen for defense and non-defense programs, a level the administration warns is the lowest level of discretionary spending in a decade when adjusted for inflation.

The effective starting line for the upcoming budget talks will therefore be the status quo — full sequestration level caps on the $1 trillion-plus discretionary budget and the nearly $3 trillion mandatory budget operating on autopilot.

Individual and Corporate Taxes

The White House budget also contains the most ambitious tax plan Obama has offered in his six years in office, taking on economic inequality through the individual tax code, while overhauling the corporate tax code.

The budget would raise an additional $2 trillion in taxes over 10 years, with much of the revenue going back to most taxpayers through targeted credits or toward additional spending programs. The plan would expand credits for lower-income households, eliminate many breaks that benefit the wealthy, cut the corporate income tax rate from 35 to 28 percent and reframe the international business tax system.

The proposal more broadly seeks to frame any discussions about taxes around what the administration calls "middle-class economics." With its push to pay for an array of programs, from infrastructure to child care, it sets up a sharp contrast between Democrats and Republicans on Capitol Hill over deeply held party principles.

The White House says federal receipts overall would rise by $44.7 billion over 10 years, reaching 19.7 percent of gross domestic product in fiscal 2025, above the historical average of about 18 percent. Receipts have edged above 20 percent of GDP three times in modern history — in fiscal 1944, 1945 and 2000, when they hit 20.6 percent of GDP.

That, combined with the sheer number of revenue raisers – and that the budget breaks through the caps set by the Budget Control Act – means the blueprint is unlikely to go anywhere with a Republican Congress. But some provisions will draw bipartisan support, and the international proposals, Obama's most specific yet, go farther than previous efforts toward meeting the GOP on an issue both parties consider an important priority.

Ryan said a day before the budget's release that he is open to working with Obama on a tax overhaul.

"The question is -- which I don't know the answer to -- is there common ground on aspects of tax reform that we think can help grow the economy. For us, small businesses have to be a part of that," he said on NBC's "Meet the Press."

Still, Ryan derided the president for trying to "exploit envy economics."

Individual Tax Proposals

The proposals on taxation for individuals generally would raise taxes on capital and investors while alleviating taxes on labor and wage earners.

Obama would raise the top tax rate on capital gains and dividends from 23.8 percent to 28 percent and impose a tax on the appreciation of wealthy taxpayers' unrealized capital gains when they die. The changes to capital gains taxation would bring in $208 billion over 10 years.

That revenue, along with a new fee on financial institutions, would go toward $277 billion of increased tax breaks to benefit the middle- and lower-income earners, including expanded credits for child care and education and automatic enrollment in retirement savings accounts.

Ryan said some of Obama's proposals – including an expanded Earned Income Tax Credit for childless workers – would get GOP support. Republicans see the refundable credit, which mostly benefits taxpayers at the lower end of the income scale, as a better anti-poverty tool than raising the minimum wage.

"We want to work with this administration to see if we can find common ground … and we want to exhaust that possibility and if and when that possibility is exhausted, then we will put out what we think ought to be done," Ryan said.

Another $638 billion from increased taxes on the wealthy would go toward deficit reduction.

The plan revives the so-called Buffett rule, requiring a 30 percent minimum tax on wealthy households. The budget would limit itemized deductions to 28 percent for couples making more than $250,000 and individuals more than $200,000 per year, with the ceiling applying to retirement contributions and employer-sponsored health insurance in addition to standard itemized deductions.

The plan would also raise $215 billion through changes to estate and gift taxes, which predominantly benefit the wealthy.

Corporate Tax Proposals

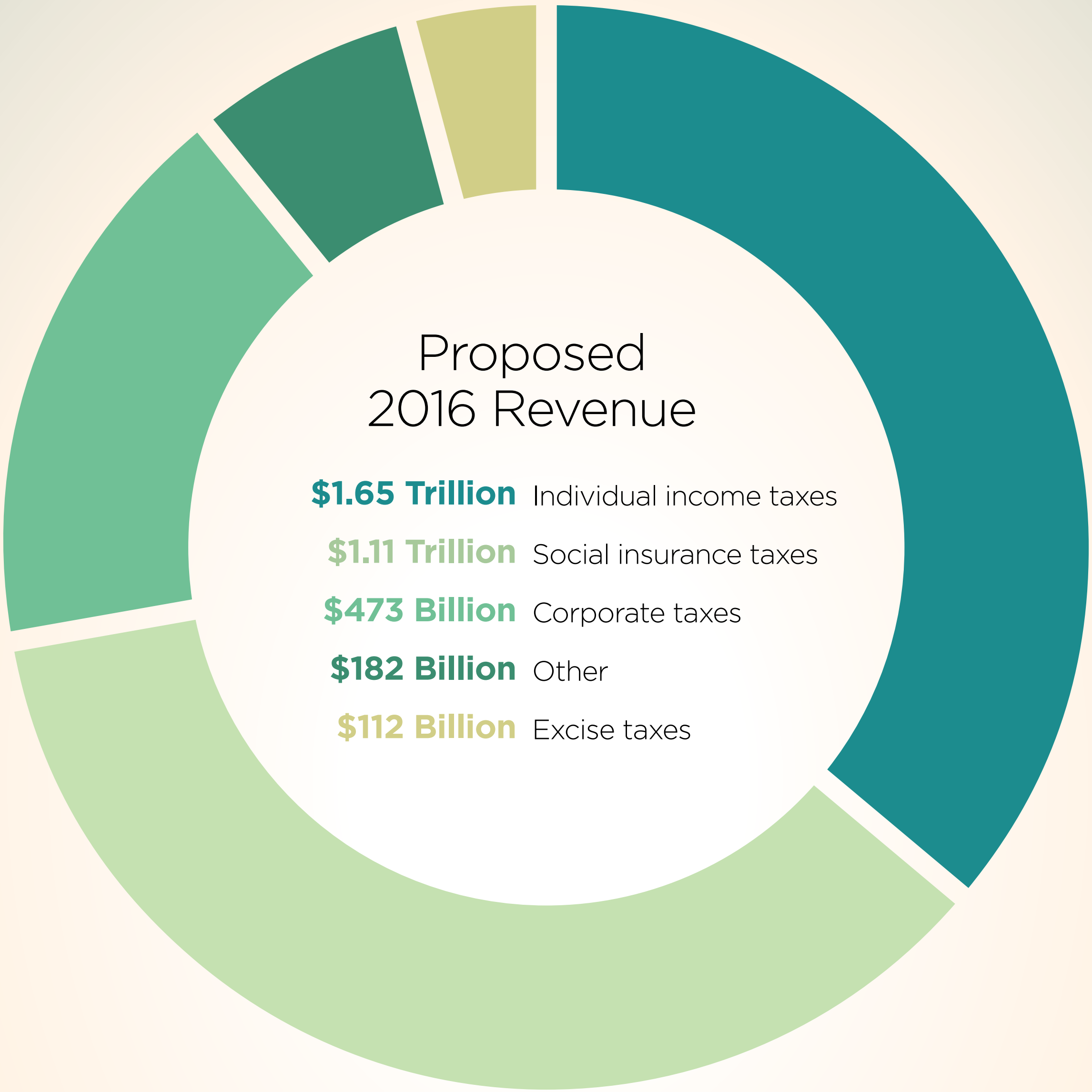
The budget proposal would redraw international business tax rules, with a one-time revenue gain from a 14 percent tax on accumulated foreign corporate profits going toward funding a $478 billion, six-year transportation reauthorization.

Future foreign profits would be taxed at a 19 percent minimum global tax, regardless of whether they are brought back to the United States, yielding a projected $206 billion over 10 years. The transitional 14 percent tax would require companies to pay a tax now on an estimated $2 trillion in profits stockpiled overseas, netting $248 over five years.

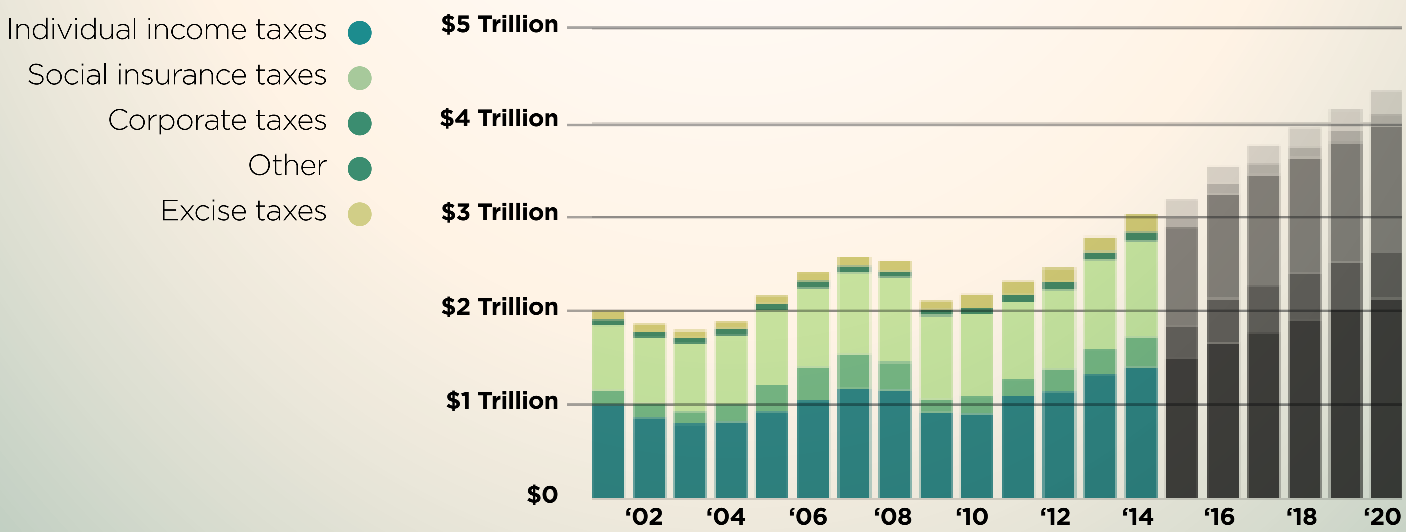
While the nine-percentage-point difference between the proposed minimum rate on foreign earnings and Obama's desired 28 percent overall corporate tax rate could encourage corporations to move more profits overseas, stronger anti-abuse rules in the plan would make it harder to do so.

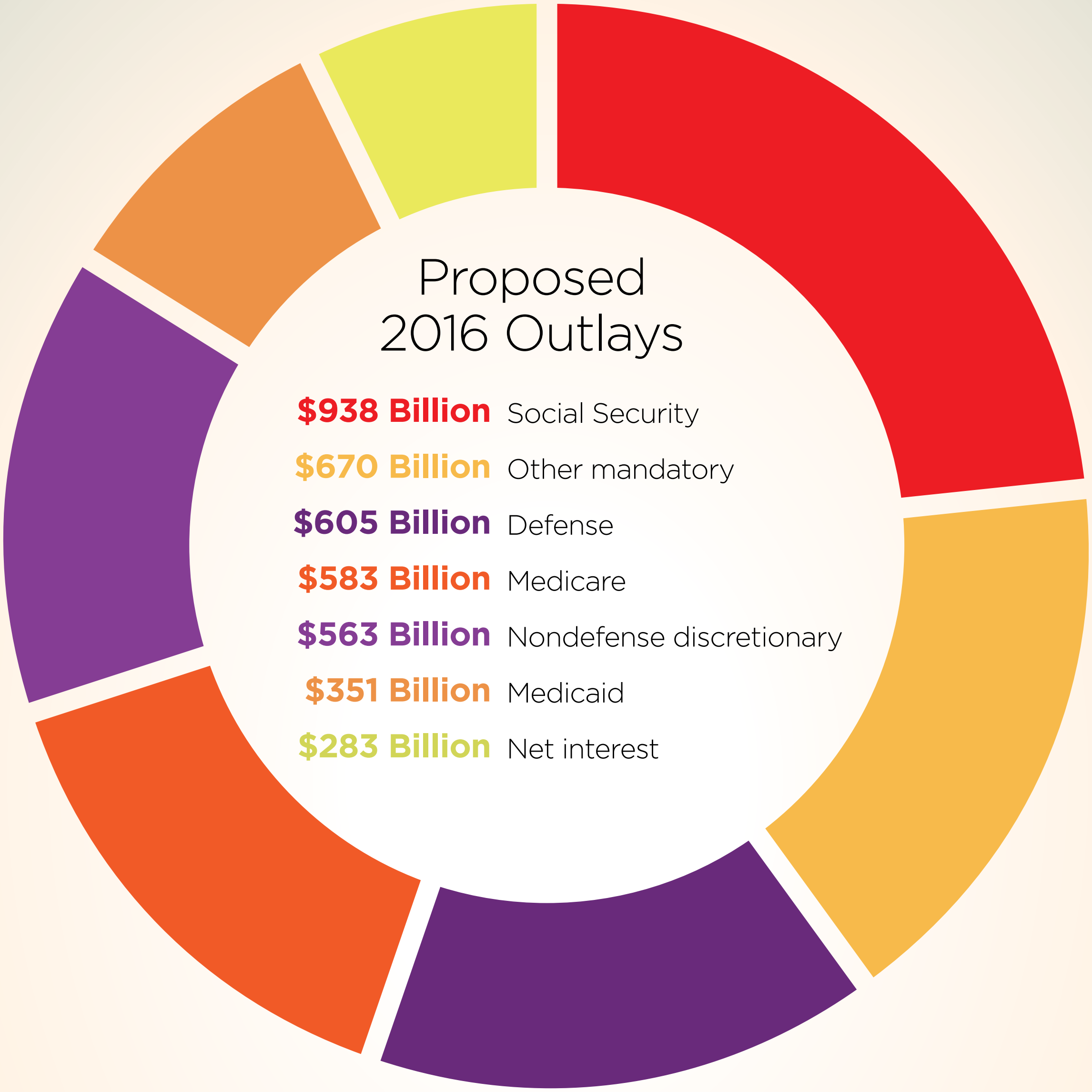
Elsewhere in business taxation, the plan targets many of the same interests the administration has tabbed in the past. It would eliminate fossil fuels preferences, raising $50 billion, and change the Self Employed Contributions Act tax for professional-service businesses, which allows high-income professionals to limit their payroll taxes, for $75 billion in additional revenue. And the plan's new fee on large financial institutions would reap $112 billion over 10 years.

Steven T. Dennis, Tamar Hallerman, Paul M. Krawzak and Katy O'Donnell contributed to this report.



Federal Revenue by Source





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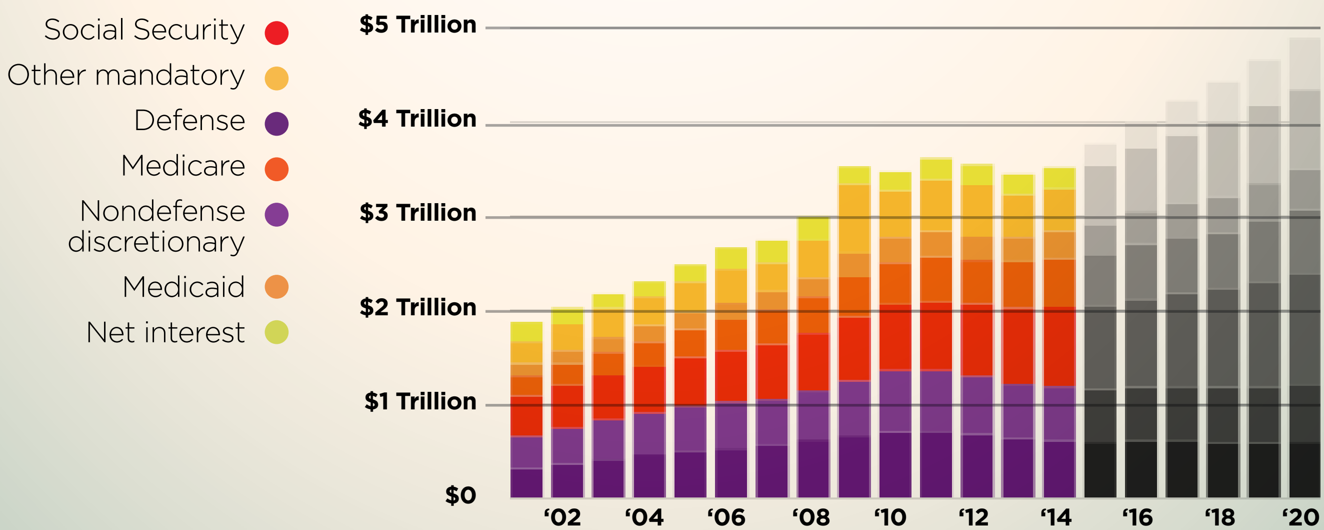

Obama Budget May Contain Seeds of Tax Deal

By Katy O'Donnell and Paul M. Krawzak

Despite all the sharp criticism Republicans have directed at President Barack Obama's fiscal 2016 budget, they may end up finding provisions they can work with on the corporate side of the ledger.

The international business tax proposals, in particular, may form an opening gambit on a tax overhaul, an undertaking that could benefit both parties politically.

Obama, for example, is proposing to lower the top corporate rate from 35 to 28 percent — not far from the GOP's desired 25 percent rate. And the 14 percent tax on accumulated foreign earnings would give a break to multinational corporations who say their foreign profits are currently "locked out" of the United States because of the 35 percent tax due when they're brought back.

There still are enormous differences between Republicans and the White House on corporate taxation, of course. But the frameworks the parties have suggested for overhauling the tax code for business are broadly similar and, in some cases, amount to matters of degree. That suggests the tax plan Obama offered Monday may be the beginning of a serious negotiation.

There is some potential common ground, for instance, on linking one-time repatriation revenues to transportation and infrastructure upgrades. Former GOP Rep. Dave Camp of Michigan last year directed a one-time repatriation fee on foreign profits, worth $127 billion over 10 years, toward infrastructure upgrades, and Obama would use $248 billion from the transition for a six-year transportation reauthorization.

But Camp would have taxed the foreign profits at a much lower rate than Obama would, imposing a 3.5 percent rate on foreign earnings that have been reinvested in business operations and an 8.75 percent tax on foreign-held cash and cash equivalents. Camp's plan was also largely ignored by House GOP leaders.

A plan from Sens. Rand Paul, R-Ky., and Barbara Boxer, D-Calif., last week proposes a temporary 6.5 percent rate on foreign profits.

Still, 14 percent marks a big step in that direction from the current 35 percent rate, so there may be room for discussion.

And although Obama's proposed 19 percent minimum rate on future foreign earnings would constitute a tax increase for some companies, it still meets Republican calls for a lower rate on overseas profits.

Generally, the GOP would like to move toward a territorial system that imposes little to no tax on foreign profits, but even the Camp plan proposed a 15 percent rate on earnings from intangible assets like patents, regardless of where they are located.

Political Will

William A. Galston, a senior fellow at the Brookings Institution, said it's clear that lawmakers from both parties agree the corporate tax code needs to be revamped to help companies be more competitive.

"This is a classic middle stage of legislative processes where there's a joint recognition of a problem that needs to be addressed and of the increasing costs of postponing dealing with it," said Galston, a former policy adviser to President Bill Clinton. "So I think the will is there, but the divisions are deep."

House Ways and Means Chairman Paul D. Ryan, R-Wis., and Senate Finance Chairman Orrin G. Hatch, R-Utah, both have indicated a willingness to work with the president on overhauling the business tax system.

"Everybody agrees that the current tax system doesn't work, that our statutory rate at 35 percent is the highest in the world and our international system is dysfunctional," said Jeffrey Zients, director of the National Economic Council.

Bolstering funding for highways, bridges and rail as part of a rewrite could attract broader support, particularly if it could be done without increasing tax rates.

Rohit Kumar, a former deputy chief of staff for now-Senate Majority Leader Mitch McConnell, R-Ky., said GOP lawmakers are also anxious to show they can work with Democrats and make a difference, which could help Republicans retain control of the Senate in two years and create a favorable climate for a GOP presidential candidate in 2016. At the same time, Kumar, a principal and co-leader of PwC's Tax Policy Services practice, said, "You've got a president who is in the last two years of his term who I think is looking for at least one additional signature domestic policy accomplishment."

Biden Factor

Vice President Joseph R. Biden Jr. could be a key player in the negotiations. He already has a track record of cutting deals on behalf of the president and has good relations with Republicans. Having completed a successful negotiation would be an asset if he runs for president.

Another factor that could increase the chances of a deal is a new House rule requiring dynamic scoring for major legislation. An overhaul of the business tax code would likely qualify for the rule, and the official House score might include new revenue generated by economic growth. Even if Democrats objected to the estimate, a dynamic score might make it easier for Republicans to justify their vote for legislation that produced more tax revenue.

Kumar ruled out the chances of overhauling corporate taxes unless provision is made for businesses that file as individuals rather than corporations. One way to incorporate so-called pass-through entities would be to create a deduction for them, bringing their taxes down as well, he said.

Jim Dyer, a principal at the Podesta Group and former GOP staff director of the House Appropriations Committee, believes a small deal is possible this year. "I think the repatriation proposal, based on what I hear, may have some legs," he said, referring to the president's plan to tax overseas business earnings.

Flexibility on Tax Hikes

White House Press Secretary Josh Earnest also noted that Republicans have, at times, showed flexibility on the notion of a tax increase, citing the fiscal cliff deal struck at the start of 2013.

"When the president was running for this office in 2007 and 2008, he was strongly advocating raising taxes on the wealthiest Americans, something that Republicans said was dead on arrival, that they would never approve of," Earnest said Monday. "But in 2012, shortly after he was re- elected in which he campaigned on this issue again, he did actually succeed in getting a Republican majority in the House of Representatives to eventually vote for a tax increase on the wealthiest Americans."

Many Republicans view that in a different way, however, noting that a slew of tax cuts had already expired with the end of the year and that the votes in the first days of January 2013 effectively were for tax cuts.

The White House with its tax package is trying to thread a needle politically, arguing that the tax plan in its overall structure meets a Republican goal of lowering rates while closing tax breaks, or, as Democrats call them, tax expenditures.

The framework "of lowering the statutory rate, creating this minimum tax … and bringing the money back from overseas with the one-time toll charge, using that money for infrastructure – all four components are the same as Chairman Camp's plan from last year at the Republican House Ways and Means plan," Zients said.

That infrastructure component, which many consider an alternative to raising the federal fuel tax, will not be an easy sell to many Republicans who want nothing to do with the spending levels the president is proposing.

"Spending is the problem, not revenue," Rep. Tom Rice, R-S.C., a House Budget member, said Monday on C-SPAN. "We need to do more to curtail spending and get the size of government under control."

Pentagon Seeks Spike in Procurement, R&D Spending

By Megan Scully

The Defense Department's $534 billion base budget request for fiscal 2016 includes a 13 percent real increase for procurement and research and development, the largest gain for weapons programs since the Rumsfeld-era Pentagon.

The increase for those accounts, calculated by Todd Harrison at the Center for Strategic and Budgetary Assessments, underscores the Pentagon's commitment to modernizing and upgrading its equipment even as it faces the likelihood of another round of deep cuts next year.

Under the request, procurement would receive a $14.1 billion hike in the base budget over this year's enacted levels, bringing those accounts to $107.7 billion next year. Research and development, meanwhile, would grow by $6.3 billion, to $69.8 billion.

Budget Caps

The request itself exceeds budget caps on discretionary spending by $35 billion, pushing off onto Congress the difficult work of cutting military spending if lawmakers and the White House cannot reach a budget deal to give the department more money next year. Aside from the base budget, the Defense Department is also requesting $51 billion for the Overseas Contingency Operations account, which is not subject to budget caps. That fund is $13 billion below this year's spending levels, reflecting the winding down of operations in Afghanistan.

If Congress also does not address the spending caps and passes an appropriations bill above those limits, the department would be hit by sequestration, an across-the-board reduction to most accounts.

But by requesting such a sizeable increase for modernization, which the department projected last year, the Pentagon seems to be moving to protect that spending, which is typically the easiest place to find quick savings in the department's expansive budget.

The last time the Defense Department requested such a large increase for weapons was in fiscal 2003, when the George W. Bush administration proposed a 17 percent increase to procurement and research and development programs at the height of Defense Secretary Donald Rumsfeld's program to transform the armed forces.

"They telegraphed this last year," Harrison said. "If they got more money above the budget caps that this is what they were going to use it for."

Mixed Messages

The request allows the department to begin negotiations for weapons at a higher number, but it also creates significant uncertainty and sends a mixed message to the defense industry.

"From the Hill, the message they should be hearing is, 'We've got these budget caps in effect and we're very slow to move these things so don't count on them getting adjusted that much,'" Harrison said. "From DOD, they're getting a message here that, 'Hey, we are going to pump more money into you, we are going to ramp up spending on these programs.'"

While the spending request is largely on track with last year's projections, the Pentagon proposal would boost some individual programs above their plans. The department, for instance, had planned to request 55 F-35 Joint Strike Fighters in fiscal 2016, but instead is proposing 57 of the stealthy jets. Likewise, the department is requesting 16 P-8 Poseidon aircraft, one more than originally planned for next year.

Meanwhile, the request includes several cost-saving proposals, many of which Congress has consistently opposed. Those include the retirement of the A-10 Warthog, a close-air support plane with strong support on Capitol Hill. The A-10 retirements would save $428 million in 2016.

The request also seeks another Base Realignment and Closure round to shed excess installations and facilities. Lawmakers have balked at the upfront costs of a BRAC, but department officials have repeatedly insisted that the long-term savings are well worth the initial investment.

"The need to reduce unneeded facilities is so critical that, in the absence of authorization of a new round of BRAC, the administration will pursue alternative options to reduce this wasteful spending," the White House's Office of Management and Budget warned in its analysis of the proposal.

Included in the $51 billion Overseas Contingency Operations request is $5.3 billion for the mission against the Islamic State, or ISIL, including airstrikes, intelligence collecting, and training, as well as advising and equipping Iraqi security forces and vetted members of the Syrian opposition.

The contingency operations fund also includes $2.1 billion for the Defense Department's share of the Counterterrorism Partnership Fund, designed to help allies better combat terrorism. The State Department's share of that fund totals $390 million.

The administration also plans to release a plan early this year to transition "all enduring costs" currently funding in the OCO to the base budget beginning in fiscal 2017, with the goal of ending the use of OCO by 2020.

— Tim Starks contributed to this story.

Big Boost Proposed for Infrastructure

By David Harrison

The fiscal 2016 budget request would represent one of the most significant boosts in transportation funding in years, funded in part through the Obama administration's corporate tax overhaul. A proposed one-time tax on past overseas corporate profits would generate $238 billion, which the president would use fill the gap from inadequate gas tax receipts and help pay for a $478 billion, six-year highway bill.

Given Republican antipathy to tax increases, neither proposal is expected to advance in Congress. Although there is some bipartisan support for infrastructure projects, paying for them with new taxes won't fly with the GOP.

Many of the budget proposals are contingent on Congress re-authorizing surface transportation programs. The current authorization expires at the end of May and money for the programs is expected to run out toward the end of spring. The Obama administration is set to propose legislation to authorize the programs for six years, incorporating the changes spelled out in the budget request.

But Congress is unlikely to reach agreement on spending or on the proposed policy changes by then, and probably will have to once again settle do for a short-term extension of highway programs in the hopes of working out an agreement on a long-term bill over the summer.

In a speech Monday, President Obama cast his budget proposal as a way to spur economic growth as the country recovers from the last recession.

"It lets us keep building the world's most attractive economy for high-wage jobs, with new investments in research and infrastructure and manufacturing, as well as expanded access to faster Internet and new markets for goods made in America," Obama said.

Inside the Proposal

Under the proposal, the Highway Trust Fund would receive about $40.1 billion in fiscal 2016 from the corporate tax proposal as well as $39.6 billion from fuel taxes. The administration proposes to boost trust fund spending to $60.5 billion, roughly $6.8 billion more than the current fiscal year.

That would leave the trust fund with a $20 billion balance at the end of fiscal 2016.

Republicans have shown some openness to using new revenue from a tax overhaul to pay for infrastructure projects but it's unlikely they will be willing to raise as much money as Obama wants.

Last week, Sens. Rand Paul, R-Ky., and Barbara Boxer, D-Calif., said they would introduce a bill that would offer businesses a 6.5 percent tax rate to repatriate profits held offshore. Right now, those profits are taxed at a top rate of 35 percent but only if they're brought back to the United States. That has led companies to keep an estimated $2 trillion in profits overseas to avoid paying U.S. taxes.

It's unclear how much money the Paul-Boxer bill would generate for infrastructure projects.

The administration's plan would impose a mandatory 14 percent tax on those past profits held offshore.

The Gas Tax

Many Democrats and transportation groups, meanwhile, continue to push for raising the gas tax as a way to pay for road and transit spending. On Wednesday, Rep. Earl Blumenauer, D-Ore., will introduce legislation to raise the gas tax five cents a year for three years and index it to inflation thereafter. Representatives from trade and labor groups are set to back his bill.

The budget also calls for moving highway grant programs, highway safety, passenger rail and much public transit spending out of the discretionary budget and into the Highway Trust Fund, which would be renamed the Transportation Trust Fund. The move is intended to both relieve the discretionary side of the budget and put sometimes-controversial programs such as TIGER grants out of the reach of appropriators on Capitol Hill.

The new arrangement would put the TIGER program on budgetary autopilot so it would not be governed by annual appropriations. Created as part of the 2009 stimulus bill, the program to send money to state and local transportation projects on a competitive basis has survived several attempts to scale it back over the years, most recently in the House fiscal 2015 Transportation-HUD appropriations measure.

The grant program would receive $1.25 billion, more than twice the amount enacted in fiscal 2015. Republicans have said the grants are improperly administered and are used to reward Democratic-leaning areas and big cities.

As a result of all these changes, the discretionary side of the Transportation Department's budget would increase only slightly, from an estimated $13.8 billion in fiscal 2015 to $14.3 billion in fiscal 2016. But overall budget authority, which combines discretionary and mandatory spending, would rise significantly from an estimated $72.1 billion in fiscal 2015 to $94.5 billion in fiscal 2016.

The budget would also create a $500 million grant program dubbed FAST – for Fixing and Accelerating Surface Transportation – for projects to compete for money.

Transit Funding

The Federal Transit Administration, which would be supported through the revamped trust fund, would see its budget authority increase to $18.4 billion from $11 billion in fiscal 2015. Much of that increase would fund capital investments in mass transit systems. Over six years, the administration anticipates boosting transit spending 75 percent.

The budget would fund a new $18 billion program to help move freight traffic through congested roads and rail hubs. The money would back projects to move goods more efficiently along certain busy freight corridors.

The budget would also create two bond programs to bring more private investment into transportation projects. The first, called America Fast Forward bonds, would be modeled on the Build America Bonds, a taxable bond program launched in the 2009 stimulus. The second, known as Qualified Public Infrastructure Bonds, would be a tax-exempt form of municipal bonds modeled on existing Private Activity Bonds. In addition, the budget anticipates creating a national infrastructure bank.

In an attempt to speed up projects, the budget suggests a system for the Transportation Department that would let projects apply for permits simultaneously. It anticipates setting aside $4 million for a new office to help different agencies coordinate the permitting process and make it more transparent.

In Energy, Renewables, Efficiency Would Get Bump

By Randy Leonard

The administration is proposing to give an extra boost to renewable energy and to natural gas emissions programs in a $29.9 billion budget request for the Energy Department, a 9.4 percent increase in discretionary levels over fiscal 2015.

The department is proposing $2.72 billion in fiscal 2016 spending for the energy efficiency and renewable energy program, a 41 percent jump from current funding. The request includes $444 million for vehicle technologies, a 52 percent increase, and $96 million for geothermal programs, a 57 percent jump.

Natural gas technologies would see a 76 percent increase over current funding to $44 million.

"The Fossil Energy Research and Development program will initiate new work focused on developing technologies to monitor and reduce emissions from midstream natural gas infrastructure and initiate emission quantification program activities focused on natural gas infrastructure," the administration wrote in its proposal.

Paring Down Fossil Fuel Research

Meanwhile, the department is looking to pare down overall fossil energy research by 2 percent, requesting $560 million, which includes $39 million for advanced energy systems, a 62 percent cut for that item. Carbon dioxide capture research would be increased by a third to $117 million, with a 9 percent increase for carbon storage to $109 million.

The department is requesting an 84 percent increase in spending for electricity delivery and energy reliability to $270 million, which would include doubling smart grid research to $30 million and spending $21 million on energy storage technology, a 75 percent increase.

Funding for the Advanced Research Projects Agency – Energy would jump 16 percent to $325 million.

Nuclear energy research would see a slight decrease to $908 million, including $108 million for reactor concepts, a 19 percent decrease, and $218 million for fuel cycle research, an 11 percent increase.

Overall science research would be increased 5 percent to $5.3 billion, with $420 million for fusion research, down 10 percent.

The administration appears to be conceding its fight over the mixed oxide plutonium processing plant in South Carolina. Congress objected to the department's proposal last year to cease construction while evaluating it for less costly alternatives. The department is seeking $340 million for continued construction.

The Energy Information Administration, which is working to boost its reporting of petroleum market data, would see a 12 percent increase in funding to $131 million.

The department plans to launch an $11 million tribal energy loan guarantee program, authorized under the Energy Policy Act of 1992.

Key Dates in the Budget Process

The following is a summary of the budget process, highlighting key dates:

Feb. 2

Obama submits fiscal 2016 request to Congress.

Feb. 3

Congressional committees begin hearings on president's budget request.

April 15

Statutory deadline (though frequently missed) for Congress to complete its annual budget resolution. The resolution sets a limit on discretionary spending and may include instructions for a reconciliation bill. For fiscal 2013-2021, discretionary appropriations caps were established by the August 2011 debt limit law (PL 112-25).

May 15

The date after which the House may consider fiscal 2016 appropriations bills even if a final budget resolution has not been adopted.

June 29

Beginning of Congress' July Fourth recess. This is the informal deadline that House leaders set for passing all 12 regular appropriations bills.

Mid-July

Target for the president to submit his mid-session review of the budget to Congress, including revised deficit estimates.

Aug. 10

Beginning of the Senate's summer recess. This is the Senate's informal deadline for passing all 12 spending bills.

Mid-August

Target for the Congressional Budget Office to issue updated budget projections.

Sept. 8

House and Senate return from summer recess, with about three weeks to negotiate their differences and clear all appropriations bills before the new fiscal year begins.

Oct. 1

Fiscal 2016 begins. A stopgap continuing resolution would be required to finance any agency whose appropriations bill has not been enacted.

About CQ Roll Call

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