



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

September 2, 2003  
(Senate)

## STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

### **S. 1356 – Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Bill, FY 2004**

(Sponsors: Stevens (R), Alaska; Byrd (D), West Virginia)

The Administration supports Senate passage of the FY 2004 Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Bill, as reported by the Senate Committee. The Administration is pleased that the Committee bill supports increased funding for many of the President's education priorities while terminating a number of lower-priority programs that have failed to demonstrate results. The bill, however, continues to fund many programs, which are duplicative or have no track record of success. The Senate is urged to reassess priorities and redirect this spending to higher priority activities, as the President has done.

The Administration applauds the Committee for reporting this important bill in a timely manner and looks forward to working with the Congress to ensure that the FY 2004 appropriations bills ultimately fit within the top line funding level agreed to by both the Administration and the Congress. The President supports a discretionary spending total of \$784.7 billion, along with advance appropriations of \$23.2 billion for FY 2005 – in accordance with his Budget and the FY 2004 Congressional Budget Resolution. Only within such a fiscal environment can we encourage increased economic growth and a return to a balanced budget. The Administration looks forward to working with the Congress to ensure that its priorities are met within that overall total.

Additional Administration views regarding the Committee's version of the bill are:

#### Select Initiatives

*Pell Grant Program.* The bill provides \$12.2 billion for Pell Grants, \$538 million less than the President's request for this high-priority program. Under the Department of Education's most recent estimates of Pell Grant costs, the Senate level may be insufficient to cover costs for student awards in 2004. The Administration strongly urges the Congress to restore funding to the Pell Grant program at the President's request. The Administration also urges the Senate to restore the Secretary's authority to adjust the program parameters when funding is insufficient.

*Education Initiatives.* The Administration is pleased that the Senate bill supports increased funding for

many of the President's education priorities, including Title I Grants to Local Educational Agencies, Special Education Grants to States, Teaching of Traditional American History, and grants to strengthen Historically Black Colleges and Universities. The Administration is extremely disappointed, however, that the Senate Committee bill fails to provide the requested funding levels for a number of important Presidential initiatives, including the Mentoring of Middle School Students Initiative, which will target at-risk youth in middle school and assist them in the successful transition from elementary to secondary school. The Administration also urges the Senate to provide the full request for Reading First, Early Reading First, Literacy Through School Libraries, and Troops to Teachers.

*Drug Treatment Initiative.* The Administration is extremely disappointed that the Committee has failed to fund the President's Access to Recovery treatment voucher program in the Substance Abuse and Mental Health Services Administration, and strongly urges the Senate to provide the \$200 million requested for this critical activity. This program would provide approximately 100,000 individuals who need and want substance abuse treatment with expanded options for services, including through faith-based and community organizations. The Administration is working aggressively with State and local partners to address implementation issues and is confident States are prepared to successfully implement this program. We look forward to working with the Senate on this issue.

*HIV/AIDS Initiative.* The Senate bill also underfunds, by \$60 million, an important component of the President's Emergency Plan on HIV/AIDS – programs in the Centers for Disease Control and Prevention to prevent the transmission of HIV/AIDS from mothers to infants – leaving many mothers and infants in Africa and the Caribbean without preventive care and treatment. To reach one million women annually and reduce transmission between mother and child by 40 percent, the Administration urges full funding of the President's request.

*Compassion Programs.* The Administration urges the Senate to fully fund two priority Administration initiatives -- Mentoring Children of Prisoners and the Compassion Capital Fund. The Senate provided only \$10 million of the \$50 million request for the Mentoring Children of Prisoners program, which helps children through the traumatic time when parents are imprisoned – including efforts to keep children connected to a parent in prison and increase the chances that the family can come together successfully when the parent is released. Further, the Senate provided only \$35 million of the \$100 million request for the Compassion Capital Fund, which provides funds to public/private partnerships to support charitable organizations in expanding or emulating model social service programs. Additionally, the Senate is urged to provide the requested first-year funding for initiatives related to fatherhood and maternity group homes.

*Corporation for National and Community Service (CNCS).* The Administration appreciates the Committee's support for national service, however, the Administration is concerned that the Committee reduced the request for Special Volunteers for Homeland Security to \$5 million (a 75-percent reduction) and failed to finance the \$5 million request for Parent Drug Corps. In addition, the Committee's \$4 million reduction to the Corporation's management operations would jeopardize CNCS's ability to continue improving financial management. The Administration urges the Senate to fully fund the request for CNCS.

## Other Issues

Other programs in the Department of Health and Human Services (HHS). The Administration objects to reductions in the President's requests for proven, effective, and high-priority health programs, including National Health Service Corps activities at the Health Resources and Services Administration and a disease prevention initiative – Steps to a Healthier United States -- at the Centers for Disease Control and Prevention.

Medicare. The Administration is disappointed that the Committee includes only \$30 million of the \$65 million requested for the Systems Revitalization Plan in the Centers for Medicare and Medicaid Services (CMS), and includes neither the \$129 million in requested funding nor additional flexibility for the Secretary to implement Medicare appeals reform. We encourage the Committee to include these items as requested.

The Administration also encourages the Committee to include proposed user fees for: (1) providers who submit duplicate or unprocessable Medicare claims, and (2) providers filing appeals with qualified independent contractors, which would offset CMS' appropriation. The Administration believes that including these proposals would improve the efficiency of both the appeals process and CMS' operations.

HHS Management issues. The Administration urges the Senate to delete a new provision that prohibits the Department from carrying out or administering a human resources consolidation. Such consolidations are important in increasing the Secretary's ability to operate the Department efficiently and effectively, and will help create a more cohesive, responsive operation.

The Administration appreciates the Committee's decision to apply the Secretary's one-percent transfer authority to all of HHS. This expanded authority will better enable HHS to respond to emergency needs or unforeseen events that could adversely affect a program or agency.

Department of Labor. The Administration commends the Committee for supporting the Administration's priorities for the Department of Labor. However, the Administration is disappointed that the Committee provided \$96 million in unrequested funding for the Bureau of International Labor Affairs. The Administration urges the Senate to redirect these unrequested funds to higher-priority programs, including critical management reform efforts.

The Administration objects to the Committee's \$7 million, or six percent, reduction to the President's request to strengthen the Employee Benefits Security Administration, thereby hampering the Administration's efforts to protect Americans' retirement security. The Committee also does not support the Department's efforts to reform union financial reporting by reducing the request for the Office of Labor Management Standards by nine percent. The Administration's proposals would help provide critical protection to union members against fraud and abuse.

Social Security Administration. The Administration appreciates that the Committee fully funded the request for the Social Security Administration but regrets that additional funds were not provided for the Office of the Inspector General or that language is not included to protect program integrity funding.

Constitutional Concerns. The Administration objects to a number of provisions in the bill that would purport to require Committee approval before Executive Branch execution. The Administration will interpret these provisions to require only notification of Congress, since any other interpretation would contradict the Supreme Court ruling in *INS v. Chadha*. The executive branch shall implement two sections of the bill, which would authorize the provision of benefits to Native Hawaiians, in a manner consistent with the requirement to afford equal protection of the laws under the Due Process Clause of the Fifth Amendment to the Constitution.

Potential Amendments - Labor Department – Labor Management Regulations and Overtime Protection – The Administration understands that an amendment may be offered that would prohibit the Labor Department from moving forward on regulations that would revise reporting and disclosure requirements under the Labor-Management Reporting and Disclosure Act (LMRDA). These requirements have not been updated since LMRDA was passed in 1959. In requiring timely and more detailed financial information from labor organizations, this revised regulation would provide both union members and the Labor Department with the information they need to properly ensure union democracy, fiscal integrity and transparency in a manner consistent with the intent of Congress in enacting the LMRDA. The Administration also understands that an amendment may be offered that would prohibit the Labor Department from implementing and enforcing the proposed rulemaking regarding changes to outdated overtime laws. The revised rule would provide overtime to 1.3 million additional low wage workers by simplifying complex eligibility tests and raising salary thresholds that have not been changed in almost 30 years. If either one of these provisions were included in the final version of the bill, the President’s senior advisors would recommend that he veto the bill.

\* \* \* \* \*