



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

July 18, 2002
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 5120 - TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, FY 2003

(Sponsors: Young (R), Florida; Istook (R), Oklahoma)

The Administration supports House passage of the FY 2003 Treasury, Postal Service, General Government Appropriations Bill, as reported by the House Committee. In particular, we appreciate the level of support provided to the Department of the Treasury enforcement programs and the Internal Revenue Service.

The Administration also applauds the House Committee for reporting a bill that is fiscally responsible. The President supports a discretionary spending total of \$759.1 billion – consistent with the House-passed Budget Resolution – and this bill falls acceptably within that total allocation. Such a total provides for needed resources for national defense and homeland security while restraining overall government spending. Only within such a fiscal environment can we encourage continued economic growth and a quick return to a balanced budget. The Committee's actions strongly endorse these principles.

The Administration would like to take this opportunity to share additional views and highlight specific concerns with the Committee version of the bill.

Department of the Treasury

The Administration strongly objects to Section 641 of the bill, which lifts the locality pay freeze for Secret Service Uniformed Division officers as of January 1, 2003. The President has requested significant flexibility in hiring processes, compensation systems and practices, and performance management to recruit, retain, and develop a motivated, high-performance and accountable workforce in the legislation he recently submitted to create the Department of Homeland Security. Accordingly, the Administration urges the House to consider these principles as this bill moves through the Congress.

Executive Office of the President (EXOP)

The Administration is very concerned that the Committee has only provided \$5 million of the \$45 million requested in the President's budget for the E-Gov Fund, the cornerstone of the electronic

government initiative highlighted in the President's Management Agenda. Adequate central funding is critical for consolidating and integrating overlapping agency IT initiatives to improve efficiency, responsiveness and access to government services, as well as to recognize savings in the billions of dollars from this integrated government-wide approach. The Administration also strongly objects to moving the E-Gov fund to the Executive Office of President (EOP) from the General Services Administration (GSA). This fund is used for cross-agency IT-related programs which GSA, not the EOP, is responsible for managing. GSA is much better positioned to manage this fund, and has considerable experience in doing so with other such funds. The Administration urges the House to support the President's request.

The Administration also objects to the Committee's reductions in requested funding for Office of National Drug Control Policy's (ONDCP) operations. Such reductions could require a 20 percent reduction in ONDCP staff currently on board, jeopardize the achievement of the President's goals for reducing drug use in our Nation, and significantly impair the management of ONDCP programs. The Administration also objects to the funding level and restrictions placed on the Youth Antidrug Media Campaign. The Administration urges the House to redirect increases provided above the President's request for the High Intensity Drug Trafficking Areas and Counterdrug Technology Assessment Center programs to fund these important programs.

The Administration continues to strongly support the proposed consolidated appropriation for EXOP and greatly regrets that the House committee failed to adopt it. The Administration urges the House, as a matter of comity between the branches and efficient use of resources, to adopt the Administration's consolidation proposal. This proposal would have consolidated the current 16 separate EXOP appropriations into one and would enable the President to effectively manage and align EOP resources consistent with decision-making in an efficient and straightforward manner, while enhancing the accuracy of the financial systems and reducing the administrative volume and cost of processing transactions through the U.S. Treasury.

Office of Personnel Management (OPM)

The Administration believes that the additional funds earmarked to establish a telecommuting training program to educate Federal managers about the logistics and benefits of telecommuting are unnecessary. The President's budget funds OPM's Telework and Telecommuting program. Helpful information for employees and managers is already available at <http://www.telework.gov/>.

Government-wide Language Provisions

The Administration strongly opposes the provision in the bill that provides a 4.1 percent pay raise for Federal civilian employees. The President's budget proposes a pay raise of 2.6 percent for Federal civilian employees, and the Administration continues to believe that proposal is both reasonable and responsible. We urge the Congress to adopt the President's budget policy. The additional cost of this increased pay level is \$1.5 billion over the President's request. This congressional policy would divert critical resources from programs across the Government.

We are disappointed that the House has not embraced the Administration's proposal for full cost budgeting for retirement pension costs and post-retirement health benefits and would like to take this opportunity to reaffirm the importance of the proposal. At a time when corporate financial statements are being questioned, we need to ensure that the Federal Government reports its costs appropriately. The Administration's proposal would be a major step in more accurately measuring program costs in the Federal budget -- agency by agency, account by account, and program activity by program activity. This proposal does not affect the budget surplus or deficit. Including these costs where they are generated provides a more transparent and full budgeting for federal programs.

The Administration is disappointed that the House Committee does not include the proposal to amend the Federal Employees' Compensation Act (FECA) to allow the Department of Labor to add an administrative surcharge to the amount billed to agencies for their workers' compensation costs. By allocating the cost of administering FECA to customer agencies in proportion to their program usage, this proposal would strengthen incentives to monitor and reduce FECA costs and improve workplace safety. The Administration urges the House to adopt this important reform to strengthen management of the FECA program.

The Administration opposes section 513 of the Committee bill that continues the one-year moratorium on the application of Cost Accounting Standards (CAS) to experience-rated contracts awarded under the Federal Employees Health Benefits Program (FEHBP). These accounting standards ensure that Federal contractors accumulate and report consistently on their incurred contract costs. Government contractors, including those that contract with FEHBP, must be held to the highest accounting principles and standards. Additionally, a statutory moratorium is not required as existing law provides for an administrative process to exempt or waive classes or categories of contracts from any or all CAS requirements.

The Administration appreciates that the Committee has continued current law provisions (sections 509 and 510) that prohibit the use of Federal funds for abortions in the FEHBP, except in cases where the life of the mother is endangered, or the pregnancy is the result of an act of rape or incest.

Potential Floor Amendments

The Administration understands that an amendment may be offered on the Floor that would effectively shut down the Administration's Competitive Sourcing initiative to fundamentally improve the performance of the government's many commercial activities. Last week, the Senate Appropriations Subcommittee adopted a similarly egregious amendment. Now is the wrong time to short-circuit implementation of the common sense principle of competition -- a proven prescription for reaping significant cost savings and performance enhancements -- especially since numerous agencies are starting to make real progress. The principle of competition was unanimously adopted by the recent congressionally-mandated Commercial Activities Panel. Prohibiting the funding for public-private competitions is akin to mandating a monopoly regardless of the impact on services to citizens and the added costs to taxpayers. If the final version of the bill would contain such a provision, the President's senior advisers would recommend that he veto the bill.

The Administration understands that an amendment may be offered on the House floor that would weaken current sanctions against the Cuban government. The Administration believes it is vitally important to maintain these sanctions. The function of the travel sanctions is to prevent unlicensed tourism to Cuba that provides economic resources to the Castro regime while doing nothing to help the Cuban people, and these sanctions should not be removed. Sanctions also help ensure that humanitarian and cultural exchanges are genuine, reaching out to the Cuban people and especially to civil society and democracy activists, and not become activities whose main effect is to strengthen the regime. Lifting the sanctions now would provide a helping hand to a desperate and repressive regime, whereas the President's policy calls for reaching out to help the Cuban people. As noted in the July 11 letter from Secretaries Powell and O'Neill, the President's senior advisors would recommend that he veto a bill that contained such changes.

Infringement on Executive Authority

The Administration objects to a number of provisions in the bill that would require committee approval before Executive Branch execution. For example, section 403 would require that any transfers for Federal Buildings Fund activities "shall be approved in advance by the Committees on Appropriations". 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*.