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

September 4, 2003
(House)

STATEMENT OF ADMINISTRATION POLICY

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

H.R. 2989 – Departments of Transportation and Treasury and Independent Agencies Appropriations Bill, FY 2004

(Sponsors: Young (R), Florida; Obey (D), Wisconsin)

The Administration supports House passage of the FY 2004 Departments of Transportation and Treasury and Independent Agencies Appropriations Bill, as reported by the Appropriations Committee.

The Administration 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:

Civilian Pay and the Human Capital Performance Fund

The Administration urges the House to adopt the President's proposal for pay. The 4.1 percent increase proposed by the Committee exceeds the President's request by $2.1 billion, provides a percentage increase that exceeds inflation, the statutory base pay increase, and even exceeds the average increase in private-sector pay, measured by the Employment Cost Index. The higher pay raise included in the House version of the bill does not address any particular issue related to Federal employee turnover. According to a recent survey of Federal employees, a majority are satisfied with their pay rate and the "quit rate" (the rate at which Federal employees leave the government voluntarily) among Federal employees is at an all-time low of 1.7 percent per year, well below the overall average quit rate in private enterprise. In addition, a higher across-the-board pay raise would not allow the Federal government to target pay raises to attract employees with critical skills.

In addition, the Administration opposes the provision specifying a 4.1 percent increase for DHS and DoD civilian employees. This provision would limit flexibility as DHS and DoD attempt to design a personnel and pay system that best meets their needs.

The Administration is also extremely disappointed that the bill does not fund the President's request for a $500 million Human Capital Performance Fund. The Fund is a more targeted approach to move the Federal pay system into one that would promote high performance. The Fund would allow agency managers to provide additional pay raises to high performing employees and employees with the most valuable skills.

<u>Department of Transportation</u>

The Administration is concerned with the level of funding provided for the Federal highway program. The Committee's bill includes $33.8 billion for Federal-aid highways, which is $4.5 billion more than the President's request of $29.3 billion. This level of spending breaks dramatically with the tradition of tying highway spending with Highway Trust Fund revenue. Further, this funding level cannot be sustained in the long term by current revenues to the Highway Trust Fund and likely would lead to a gas tax increase, which the Administration strongly opposes.

Additionally, the Administration is very concerned about provisions in current law that would shut down or significantly curtail the Department of Transportation’s (DOT) largest programs on October 1, 2003. Unless Congress takes action before September 30, 2003, the Federal Highway Administration, the Federal Aviation Administration, the Federal Transit Administration, and all other programs supported by the Highway and Airport and Airway Trust Funds may not be able to approve new projects or allow States to incur new obligations using trust fund resources. Further, these agencies may not be able to reimburse States or other entities for expenses incurred because of limits on the use of trust funds for administrative expenses. It is critical that Congress amend these provisions to allow these programs to continue to function beyond September 30, 2003.

The Administration is pleased that the House bill provides the request of $900 million for Amtrak operations, capital, and infrastructure maintenance. The Administration urges the House to institute operational and structural reforms, pursuant to the Administration’s recently-proposed Amtrak reauthorization bill. The Administration opposes additional funding that would perpetuate the status quo and interfere with these needed reforms.

The Administration is concerned with the unrequested $63 million provided for the Payments to Air Carriers program from the Airport and Airway Trust Fund that is in addition to the $50 million permanently authorized for this program. The Administration wants to work with the Committee to help address the growing subsidy costs of the program.

The Administration is pleased that the bill would provide $45 million to support the new DOT headquarters building project. The funding for this project will ensure that the Department has a headquarters building in a superior and less costly facility than would be available to DOT when the current lease expires.

Executive Office of the President (EXOP)

The Administration strongly urges the House to provide the requested funding for the many EXOP offices, projects and programs cut by the bill, including the Council of Economic Advisers, the Homeland Security Council, the National Security Council, the Office of Management and Budget, and the Office of Administration's Capital Investment Plan programs. The funding levels in the bill would result in staffing reductions and other measures that would severely impair the ability of the President to fulfill his responsibilities to the detriment of the Government as a whole. In addition, the Administration continues to support the proposed consolidated appropriation for EXOP and regrets that the Committee failed to adopt it.

The Administration is concerned that the Committee continues the common services (core enterprises) pilot project within the Office of Administration for a second year in a row and does not support the transfer authority requested by the Administration. While some economies of scale may be met under the common services pilot project, the transfer authority requested by the Administration would allow EXOP agencies the flexibility to address unexpected requirements and needs that may be outside the program.

General Services Administration, Electronic Government Fund, Federal Enterprise Architecture

The Administration appreciates the Congress' interest in Electronic Government (E-Gov) and urges the Congress to support the President's $45 million request for this important component of the President's Management Agenda. As has been demonstrated by successes from the modest $5 million invested in each of the last two years (including e-rulemaking, recreation.gov, e-authentication, geodata.gov, e-training, and Firstgov.gov), the E-Gov Fund can bring significant improvements across agencies while reducing the need for each agency to "reinvent the IT wheel."

The Administration strongly urges the Congress to restore the $2.5 million needed to support the Federal Enterprise Architecture which will allow the government to document, analyze, and find redundancies in its IT systems and business processes. For the first time, through this funding, the Federal government will be able to identify redundant IT investments across all agencies, thereby preventing new and eliminating existing wasteful spending. As a result, the Federal government will obtain a higher return on its investments, recoup the cost of this investment, and ultimately save the taxpayers billions of dollars.

Other Issues

The Administration is concerned about the level of funding provided to the Internal Revenue Service (IRS), particularly the proposed reductions in Tax Law Enforcement and Information Systems investments, which will make it more difficult for the IRS to improve the fair enforcement of the tax code. The Administration will continue to work toward the proposed consolidation of the two Treasury offices of Inspector General in the final bill. This consolidation will help ensure that the Inspector General at Treasury can function in a flexible, effective and efficient manner.

The Administration urges the House to adopt the proposed repeal of the Continued Dumping and Subsidy Offset Act of 2000 that provides payments to private entities from antidumping and countervailing duty collections. This repeal could provide savings to the taxpayer of over $300 million per year. In addition, the Act provides an unwarranted subsidy to entities that already benefit from higher import prices due to the duties.

The Administration is concerned about Sec. 629 of the bill, which would impose a threshold for congressional notification of reprogramming actions which augment an existing program, project, or activity by $5,000,000 or 10 percent, whichever is less. Under this standard, even the most minor adjustments in resources would have to be brought to Congressional attention 15 days in advance. We strongly urge the adoption of a "$5,000,000 or 10 percent, whichever is greater" standard. This standard would ensure that agencies notify the Congress of significant deviations from appropriations, without unnecessarily prohibiting minor, but often critical, adjustments in a timely way.

The Administration appreciates that the Committee has continued current law provisions that prohibit the use of Federal funds for abortions in the Federal Employees Health Benefits Program (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 Amendments – Weakening Cuba Travel Sanctions and Competitive Sourcing

The Administration understands that an amendment may be offered on the House Floor that would weaken current sanctions against Cuba. The Administration believes that it is essential to maintain sanctions and travel restrictions to deny economic resources to the brutal Castro regime. The licensing process helps to ensure that humanitarian and cultural travel facilitates genuine exchanges between U.S. travelers and ordinary Cuban citizens and that any sales to Cuba are done within the boundary of the law. Lifting the sanctions now, or limiting our ability to enforce them, would provide a helping hand to a desperate and repressive regime at the expense of the Cuban people. If the final version of the bill contained such a provision, the President's senior advisors would recommend that he veto the bill.

The Administration understands that an amendment may be offered on the House Floor that would effectively shut down the Administration's Competitive Sourcing initiative to fundamentally improve the performance of the government's many commercial activities. The Administration seeks to improve the performance of government services based on the common sense principle of competition -- a proven way of protecting taxpayers' dollars while providing better service and performance enhancements. Now is the wrong time to short-circuit implementation of this principle, especially since numerous agencies are starting to make real progress in this area. Prohibiting 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 contained such a provision, the President's senior advisers would recommend that he veto the bill.

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 vs. Chadha*.

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