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

July 23, 2007
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3074 – Transportation, Housing and Urban Development, and Related Agencies Appropriations Bill, 2008

(Sponsor: Obey (D), Wisconsin)

The Administration strongly opposes H.R. 3074 because, in combination with the other FY 2008 appropriations bills, it includes an irresponsible and excessive level of spending and includes other objectionable provisions.

The President has proposed a responsible plan for a balanced budget by 2012 through spending restraint and without raising taxes. To achieve this important goal, the Administration supports a responsible discretionary spending total of not more than $933 billion in FY 2008, which is a $60 billion increase over the FY 2007 enacted level. The Democratic Budget Resolution and subsequent spending allocations adopted by the House Appropriations Committee exceed the President's discretionary spending topline by $22 billion, causing a 9 percent increase in FY 2008 discretionary spending. In addition, the Administration opposes the House Appropriations Committee's plan to shift $3.5 billion from the Defense appropriations bill to non-defense spending, which is inconsistent with the Democrats' Budget Resolution and risks diminishing America's war fighting capacity.

H.R. 3074 exceeds the President's request for programs funded in this bill by $3.4 billion, part of the $22 billion increase above the President's request for FY 2008 appropriations. The Administration has asked that Congress demonstrate a path to live within the President's topline and cover the excess spending in this bill through reductions elsewhere, while ensuring the Department of Defense has the resources necessary to accomplish its mission. Because Congress has failed to demonstrate such a path, if H.R. 3074 were presented to the President, he would veto the bill.

The President has called on Congress to reform the earmarking process that has led to wasteful and unnecessary spending. Specifically, he called on Congress to provide greater transparency and full disclosure of earmarks, to put them in the language of the bill itself, and to cut the cost and number by at least half. The Administration opposes any efforts to shield earmarks from public scrutiny and urges Congress to bring full transparency to the earmarking process and to cut the cost and number of earmarks by at least half.

The Administration would like to take this opportunity to share additional views regarding the Committee's version of the bill.

Department of Transportation (DOT)

Federal Highway Administration. The Administration strongly objects to increasing funds for the Federal Aid Highway program based on adjustments determined through a revenue aligned budget authority (RABA) mechanism. At authorized levels, the Highway Account is spending beyond its means and will be insolvent by 2009. Providing additional funding through RABA adjustments only exacerbates the situation, making the highway account oversubscribed by an additional $500 million before the end of the SAFETEA-LU authorization in FY 2009. Further steps will ultimately be needed, but withholding RABA is an important first step to avoid the threat of gas tax increases or a raid on the general fund.

Amtrak. The Administration strongly objects to providing $1.4 billion for Amtrak, which will perpetuate a flawed model for intercity passenger rail. While the bill provides some funding for Intercity Passenger Rail Capital Grants, which will help encourage sustainable, demand-driven service, the bill fails to include reform provisions proposed by the Administration to improve accountability and encourage competition.

Federal Aviation Administration (FAA). The Administration is disappointed that the Committee did not adopt the President's proposal to align FAA's budget accounts with its lines of business and to delineate the specific uses of the General Fund contribution. These proposals would provide greater transparency, improve management of resources, and complement the reforms proposed by the Administration in the NextGen Financing Reform Act of 2007.

Aviation Insurance Revolving Fund. The Administration opposes the one-year extension for the war risk insurance program for domestic air carriers, which crowds out private sector mechanisms for diversifying risk. The Administration has proposed reforms in the NextGen Financing Reform Act that ensure that air carriers more equitably share in the risks associated with this program.

U.S.-Mexico Cross-Border Trucking Pilot. The Committee report highlights a number of issues related to the U.S. Mexico Cross-Border Trucking Pilot. The Administration assures the Committee that the pilot will be conducted in compliance with the conditions and reporting requirements set forth in P.L. 110-28. However, the Administration would strongly oppose any amendment that is intended to delay or restrict the pilot program.

Reduction Proposals. The Budget proposed reductions in some programs, such as DOT's Essential Air Service program, FAA's Airport Improvement Program, and the Federal Transit Administration's Capital Investment Grants. These reductions are programmatically justified and would reduce Federal spending. In addition, the House should consider reductions to unrequested items, such as the Rail Line Relocation and Improvement Program.

Department of Housing and Urban Development (HUD)

The bill exceeds the request for HUD programs by more than $3.5 billion. The President's Budget provides increases for high-performing and high-priority programs, ensures effective implementation of HUD programs, and reduces funds for lower performing programs.

Community Development Block Grant (CDBG). The Administration objects to the $1 billion increase for the CDBG program through a formula that is long outdated and, in many cases, provides more money to wealthier communities than poorer ones. The Administration urges Congress to pass the CDBG legislative reform proposal that was transmitted on June 5, 2007, which improves targeting to the neediest communities and provides incentives to expand economic growth more strategically. In addition, the Administration recommends eliminating the $180 million in funding for congressional earmarks.

HOME/American Dream Downpayment Initiative. The Administration objects to the more than $200 million reduction to the request for the HOME Investment Partnerships Program. In spite of the growing need for affordable housing, the House bill would cut this high-performing program with an effective track record of housing production for low-income families and flexibility for communities to tailor housing assistance to their unique needs. Moreover, the Administration objects to the lack of funding for the American Dream Downpayment Initiative, which provides crucial assistance to increase first-time homeownership.

Tenant-Based Rental Assistance. The House bill reflects support for the Administration's proposal to reform the Housing Choice Voucher program. This includes tying Public Housing Authority (PHA) administrative expense payments to the number of assisted families, maintaining rental assistance to the 2007 allocations based on the prior-year's actual expenditures, and providing incentive funds for smaller PHAs to consolidate. The House bill should also eliminate the cap on the number of families PHAs can assist to unlock PHA funds to permit greater housing assistance. The Administration's request would aid significant numbers of additional families and renew approximately 1.9 million vouchers currently in use, without the Committee's addition of $330 million in unrequested funds.

Reducing Chronic Homelessness. The bill supports the Administration's goal of reducing and ending chronic homelessness; however, the House should also fund the Prisoner Re-Entry program.

Federal Housing Administration (FHA). The bill supports the Administration's proposal to increase multifamily loan limits in high-cost areas and lift the statutory cap on the number of Home Equity Conversion Mortgages that HUD can insure through the end of FY 2008. However, the Administration would prefer to permanently lift the cap to allow HUD to continue assisting the market in providing this financial vehicle. The Administration also is concerned that the Committee report purports to direct HUD to reverse its implementation of certain recently enacted asset disposition reforms for FHA multifamily programs, which would increase the deficit by $38 million in FY 2008.

Other Housing Programs. The Administration's request provides a program base funding level for public housing that can be sustained in future years and, hence, the Administration does not support the substantial increases for these programs in the reported bill. The Administration also objects to the funding provided for the HOPE VI program. HOPE VI has accomplished its original goal. The Administration also opposes the unreasonably high amount of new section 202 and 811 housing unit construction in the bill, which simultaneously reduces resources dedicated to tenant services, threatens future preservation, and exacerbates a large and growing fiscal responsibility.

Working Capital Fund. The Administration strongly objects to the $95 million reduction. HUD has made significant improvements in strategically and responsibly investing its IT system resources, with demonstrated success The requested funds are needed to continue to improve HUD financial management and provide proper program delivery and compliance. In addition, the requirement for Committee approval of E-Government funding transfers should be removed. These systems support HUD's core mission and operations.

Lower Performing Programs. The Administration opposes the funding provided for lower performing programs such as section 108 loan guarantees, Brownfields, and Rural Housing. These programs are duplicative, lack long-term outcome measures, and have been unable to produce transparent information on results.

Exemption from Credit Reform. The Administration opposes section 218, which would prohibit using funds provided in this or any other act to implement the requirements of the Federal Credit Reform Act of 1990 beyond those already being implemented by the Government National Mortgage Association. Congress enacted credit reform in 1990 to more accurately budget for the full cost of credit programs and to bring greater transparency to credit programs in the budget process. This provision of the bill begins to unravel this important reform by setting a precedent that could undermine ongoing efforts to accurately estimate and report the costs of credit programs in the Federal budget and Federal financial statements.

<u>Employment Eligibility Verification System</u>

The Administration supports the use of the Employment Eligibility Verification System, previously known as the Basic Pilot Program, but urges the Congress to provide for a transition period to permit agencies to effectively implement acquisition policies and procedures.

<u>Constitutional Concerns</u>

Sections 405 and 406 purport to require approval of the Committees prior to Executive Branch action. Since these provisions would contradict the Supreme Court's ruling in *INS v. Chadha*, they should be changed to require only notification of Congress.

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