



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

October 2, 2007
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3222 – Department of Defense Appropriations Act, 2008

(Sponsor: Byrd (D), West Virginia)

The Administration appreciates the Committee's support of Department of Defense, but is concerned about several of the funding priorities reflected in H.R. 3222. In addition, a \$1.7 billion reduction coupled with the rejection of \$1.8 billion in reasonable health care user fees creates a difference of \$3.5 billion between the President's request and the Senate bill.

The federal government's most important responsibility is national security. To fulfill this responsibility, it is imperative that Congress complete action on this bill as soon as possible in order to fully support our troops. The Administration also is committed to ensuring that commanders on the ground in Iraq have the resources and flexibility they need to defeat the enemy. Should Congress add language to this bill calling for troop withdrawals or restricting in any other way the President's ability to conduct the war, he will veto the bill.

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 Senate 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 Senate 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.

The Administration is also concerned with the Committee's apparent intention to shift funds between the base bill and the war request. Base funding requirements should not be shifted to supplemental bills as a way to increase spending on unrelated programs.

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, eliminate wasteful earmarks, 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.

Missile Defense

The Administration strongly opposes reductions to the President's request for missile defense. The \$85 million reduction to U.S. missile defenses in Europe, particularly for construction at the European third site, would endanger U.S. security and that of our European allies by delaying the fielding of missile defense assets to protect against the emerging missile threat from Iran. Such reductions would also put our allies in a difficult political situation, as they have gone to great lengths to ensure the deployment of these vital defenses on their soil. Additionally, excessive reductions to the Multiple Kill Vehicle and Ballistic Missile Defense Core programs put future missile defense capabilities at considerable risk.

General Transfer Authority

The Administration strongly objects to the Committee's decision to lower the amount of general transfer authority from the President's request of \$5.0 billion to \$3.7 billion because it restricts the Department of Defense's (DOD's) ability to respond to emerging and unanticipated requirements.

Reductions in Critical Procurement Programs

The Administration strongly opposes the bill's funding reductions to procurement programs that are vital to meeting both immediate and future national security threats, such as:

- PATRIOT Advanced Capability-3 (PAC-3). The reduction of \$294 million for two additional Patriot (PAC-3) battalions would have a negative impact on the combat capability of new Army units and unnecessarily increase the deployment times of existing PAC-3 battalions. Funding for the two battalions was requested by the Army as a critical part of the President's Grow the Force initiative.
- Global Positioning System (GPS) III. The \$150 million reduction in development funding for GPS III could delay the planned launch of the first GPS III satellite. If not launched by 2013, sustainment of the entire constellation of GPS satellites may be at risk.
- Transformational Satellite (TSAT). The \$200 million reduction in development funding for the TSAT Program. TSAT is a critical element of the Nation's long-term space communications infrastructure and is essential to manage the growing gap between DOD's need for increased information bandwidth and the resources available to meet that need.
- Littoral Combat Ship. The \$910 million reduction in this program could delay the delivery of this critical warfighting capability to the Fleet, cause significant impact to the program, and could cause significant impacts to other Navy programs.
- Prompt Global Strike. The reduction would eliminate the Conventional Trident Missile program, and the proposed restructuring would limit the ability to field a near-term capability to strike globally, precisely, and rapidly with non-nuclear kinetic effects against high-priority, time-sensitive targets.

Unrequested Funding

The Administration strongly opposes the additional \$480 million for the Joint Strike Fighter Alternate Engine Program. The Administration did not request funding to support this program. The Administration also opposes major additions to Navy shipbuilding programs, such as the \$470 million for a Virginia-Class Submarine. This funding is unnecessary and takes resources away from more urgent defense needs.

Military Personnel

The Administration opposes the additional one-half percent increase to the proposed three percent across-the-board pay increase. The proposal builds on the 33 percent increase in basic pay since 2001, and the \$310 million added to the Administration's request for basic pay reduces funding available for other, more targeted military personnel priorities.

Support to Other Nations

The Senate is urged to fund the \$500 million request for the Global Train and Equip program. This program is critical to enhancing the capability of partners and allies across the world to provide for their own security and reduce the demands on U.S. forces. The Administration views the activities conducted under the Global Train and Equip authority as an enduring requirement to avoid major military interventions in the future, and the Combatant Commanders regard such funding as the most important national security investment beyond Iraq and Afghanistan.

Overseas Humanitarian, Disaster, and Civic Aid (OHDACA)

The Senate is urged to fully fund OHDACA, which is necessary for DOD to respond quickly to natural disasters without borrowing from the Military Services' operations budgets or imposing an adverse impact on DOD's baseline humanitarian assistance programs.

Drug Interdiction and Counter-drug Activities

The Administration opposes the Committee's reductions to the President's counternarcotics request for intelligence and training activities. These reductions will adversely impact the Department's plans to fight narcotics trafficking worldwide, particularly ongoing efforts in critical areas such as Afghanistan, Colombia, and Thailand.

Defense Health Program (TRICARE)

The Committee bill rejects the policy to adjust TRICARE health fees and premiums for retired military beneficiaries under age 65. Adjustment of these fees and premiums has been embraced in concept by the interim report of the congressionally-mandated Task Force on the Future of Military Health Care. The Administration's proposals would make high-quality military health care more sustainable in the future. Not allowing DOD to proceed with these changes will add about \$1.9 billion in costs in FY 2008 and over \$19.3 billion over six years.

Transformational Medical Technology Initiative (TMTI)

The Administration strongly opposes the \$100 million reduction to the Transformational Medical Technology Initiative (TMTI). TMTI represents an essential element of our efforts to develop countermeasures against new biological threats, such as those that would be engineered in a laboratory or naturally occurring agents, such as pandemic viruses, that could have a catastrophic impact on our troops. The program embodies the principles in the recently-signed Homeland Security Presidential Directive-18, which directs Federal agencies to undertake efforts to combat biological threats for which we do not currently have countermeasures. Funding of the program at the requested level for FY 2008 is required to maintain execution of the FY 2006 and FY 2007 innovations and to address capability gaps. A reduction of \$100 million would continue to underfund this effort and dramatically reduce the potential to develop and deliver products for transition to advanced development by the end of FY 2010. Failure to fully fund the FY 2008 budget request would severely impact execution of TMTI and unnecessarily delay the achievement of the program's goals to deliver broad spectrum countermeasures to the warfighter.

Competitive Sourcing

The Administration opposes requirements that would unnecessarily force private sector bidders to provide intrusive data concerning the health benefits of their employees. This would undermine efficiencies in private health plans and discourage companies, especially small businesses, from participating in DOD's competitions, and place significant potential savings at risk. The Administration urges the Senate to amend the health care provisions to acknowledge that contractors provide health benefits to their employees in a variety of ways, such as through health savings and medical savings accounts. The Administration also urges the Senate to permit DOD to take full advantage of OMB Circular A-76 to achieve the best value for the taxpayer.

Classified Programs

The Administration looks forward to reviewing the classified annex and working with Congress to address any concerns on classified programs as the legislative process moves forward.

Constitutional Concerns

Recognizing the Executive Branch's constitutional entitlement to communicate with Congress, sections 8001, 8005, and 8012 of the bill should be amended to make explicit that the bill does not prevent officers or employees of the United States from communicating to Congress through the proper official channels requests for action on legislation or appropriations matters.

Section 8050(a) calls for notice to six congressional committees before any transfer of defense articles or services, other than intelligence services, to another nation or an international organization for international peacekeeping, peace enforcement, or humanitarian assistance operations. While the Administration recognizes that notice can be provided in most circumstances, situations may arise, especially in wartime, in which the President must act promptly under his constitutional authority as Commander in Chief. Accordingly, this provision should be amended to call for giving prior notice unless, in the exercise of this authority, the President directs otherwise.

Section 8064 of the bill purports to require or authorize disclosure of information to Congress that would conflict with the Constitution's commitment to the President of authority to supervise the unitary executive branch and to define and control access to the Nation's national security secrets as recognized by the Supreme Court in *Department of the Navy v. Egan* (1988). The Administration strongly opposes this provision unless it is amended to make clear that the provision is subject to the authority of the President.

Section 8088, relating to the integration of foreign intelligence information, should be amended to make clear that its provisions do not interfere with the President's constitutional authority as Commander in Chief for the conduct of intelligence operations.

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