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

June 19, 2007
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2764 – State, Foreign Operations, and Related Programs Appropriations Act, 2008

(Sponsor: Obey (D), Wisconsin)

The Administration appreciates that H.R. 2764 does not exceed the President's request in total for the programs funded by the bill. However, the Administration strongly opposes this legislation, because it includes provisions that are inconsistent with the Administration's international family planning policy. Consistent with the President's letter of May 3, 2007, if the President were presented a bill, such as H.R. 2764, that weakens current Federal policies and laws on abortion, he would veto the bill.

In particular, the Administration is concerned that H.R. 2764 contains provisions that create burdensome reporting requirements with regard to Executive decisions to withhold funding from organizations that support or participate in coercive abortion or involuntary sterilization programs and undermine the evidence-based, balanced "ABC" approach to prevention in the President's Emergency Plan for AIDS Relief. The Administration strongly opposes section 622 of the bill, which permits contracts and grants for organizations regardless of whether they perform or actively promote abortion as a method of family planning, and is contrary to the Administration's Mexico City policy.

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 and 10 percent increase in the deficit if the entire amount were expended in FY 2008. 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.

The President has called on Congress to reform the earmarking process that has led to wasteful and unnecessary spending. Specifically, on January 3, 2007, the President 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 appreciates the Committee's support for important programs in Afghanistan, West Bank, Pakistan, and Sudan, and for other international organizations. However, the Administration has concerns with several actions undertaken by the Committee as discussed below.

Millennium Challenge Account

The Administration is concerned that the bill reduces funding for the Millennium Challenge Account by $1.2 billion from the President's request. With this reduced funding, the Millennium Challenge Corporation (MCC) will not be able to sign compacts with several countries with whom MCC is scheduled to complete negotiations in FY 2008, and will be significantly constrained in its ability to negotiate transformational compacts with other current eligible and newly selected countries.

Global HIV/AIDS – Emergency Plan for AIDS Relief

The Administration strongly supports the President's Emergency Plan for AIDS Relief, especially funding bilateral focus country programs. However, the Administration is concerned about the magnitude of the Committee's increase for the Global Fund to Fight AIDS, Tuberculosis, and Malaria. The Global Fund is an important partner in the President's Emergency Plan, but the Global Fund needs to show further progress in meeting benchmarks for grant performance, transparency, and accountability. As the largest contributor to the Global Fund, the United States must have assurances that the Fund is achieving its intended results.

Assistance to Iraq

The Administration opposes the elimination of economic assistance to Iraq. The Administration recognizes that Congress recently provided assistance funds for Iraq in P.L. 110-28, the FY 2007 Emergency Supplemental Appropriations Act, but at levels below the President's request. The President's FY 2008 base and supplemental requests for Iraq are important to support critical programs, including democracy, jobs-creation, governance, and institutional capacity-building. These assistance programs are an integral part of the New Way Forward, complement and reinforce U.S. military operations, and are critical in helping Iraq meet benchmarks to become a self-reliant, stable society. Full funding is important to support a unified, democratic Iraq that can govern itself, sustain itself, defend itself, and is an ally in the War on Terror.

Assistance to Pakistan

While the Administration appreciates the Committee's support for additional funding in the Federally Administered Tribal Areas, the Administration strongly urges the House to fully fund the request for economic assistance. The $33 million reduction would prevent the Administration from fulfilling the President's five-year commitment to Pakistan.

Malaria

The Administration urges full funding of the President's Malaria Initiative, which is funded in the bill at a level $30 million short of the President's commitment for FY 2008. The Administration also urges the House to restore the remaining $5 million requested for other malaria programs. This reduction threatens robust bilateral programs in several malaria-prone countries where the U.S. Government can deliver considerable results in preventing and treating this disease.

Assistance to Colombia

The Administration strongly opposes the reduction in assistance to Colombia and the significant redirection of funding. The Administration also objects to the increased withholding of 40 percent of funds pending a certification by the Secretary of State and to the additional certification and reporting requirements. The bill would limit Colombia's ability to reduce cultivation and stem the flow of narcotics to the United States and significantly reduce assistance to Colombian security forces necessary to continue the unified campaign against narcotics trafficking and terrorist organizations.

Cuba

The Committee's reduction of $37 million from the President's request for programs in Cuba would prevent the Administration from implementing the recommendations of the second report of the Commission for Assistance to a Free Cuba (CAFC II), which was signed by the President in July 2006. This funding is critical to increasing support for civil society opposition and helping to break the Castro regime's information blockade at a time when Cuba is on the brink of profound change. The reduction would have the United States step back from supporting independent Cuban civil society at a time when the regime has increased its repression while attempting to engineer an undemocratic succession.

Shift of Funds Between Economic Support and Development Assistance Accounts

The Administration appreciates the Committee's concern about the funding of activities with Economic Support Funds, instead of Development Assistance, in those countries characterized by political, economic, and security instability. However, the Administration's request more aptly captures the fact that these countries face fluid circumstances related to their instability, and the Administration's primary goal in these countries—such as Afghanistan, Sudan, Liberia, and Lebanon—is to achieve social, political, economic and security stability, better achieved through the Economic Support Fund.

Export-Import Bank

The Administration strongly urges the House to include the Bank's self-financing proposal. This proposal is supported by 12 years of data showing that fees charged to the Bank's borrowers have exceeded credit losses and administrative expenses. Allowing the Bank to rely on these fees to cover its operational costs would not diminish existing congressional oversight and would provide for a more effective use of taxpayer resources.

Asia Pacific Partnership (APP)

The House is urged to fund the $26 million requested for the Asia-Pacific Partnership (AAP) for Clean Development and Climate proposed in the Economic Support Fund. This initiative -- as called for by Title XVI of the Energy Policy Act of 2005 and announced by the President on

July 28, 2005 -- would accelerate private sector investments in cleaner, more efficient technologies and practices, and would improve the energy security, air quality, and greenhouse gas profile of some of the world's most significant economies. In light of the developments on climate change put in motion by the Administration at the recent G8 Summit, the participation in APP by major emitters including China and India, and the endorsement of the APP approach to climate change by G8 members, the Administration asks the committee to fully fund this important climate change initiative.

International Organizations and Programs

The Administration is concerned that the Committee bill does not include funding for the UN Democracy Fund or the UN Entrepreneurship Fund, while providing unrequested funding for the UN Population Fund and other UN agencies. The UN Democracy Fund and the UN Entrepreneurship Fund are important tools the UN can use to promote democratic institutions and free market principles abroad.

Multilateral Development Banks (MDBs) Arrears

The Administration is concerned that the bill does not provide the request for payment of arrears at several MDBs. Payment of arrears is particularly important as replenishment negotiations begin for the International Development Association and the African Development Fund.

Department of State Operations

The Administration appreciates the support provided for several Department of State programs. However, the Administration is concerned that reductions in the Diplomatic and Consular Programs account would put at risk needed personnel increases associated with Transformational Diplomacy, enhanced foreign language training, and efforts to strengthen the Office of the Coordinator for Reconstruction and Stabilization. The Administration is also concerned that the bill purports to restrict U.S. delegations to UN agencies and that the bill requires notification for US participation in UN peacekeeping missions in certain circumstances.

International Boundary and Water Commission

The Administration is disappointed that the request for the construction of secondary treatment facility for Tijuana sewage, as directed by the Tijuana River Valley Estuary and Beach Sewage Cleanup Act of 2000, as amended, was not included in the bill. Funding for the project would help avoid continued discharge of improperly treated effluent into the Pacific Ocean in violation of the Clean Water Act, and would enable the Administration to pursue a more cost effective solution.

Broadcasting Board of Governors (BBG)

The Administration appreciates the Committee's support for U.S. international broadcasting. However, the Administration opposes provisions in the House report that direct BBG to continue radio broadcasting in several languages. The Budget proposed shifting funding from these programs to fund broadcasting improvements that will reach larger audiences in support of U.S. foreign policy objectives. The Administration is disappointed that the bill does not provide increased funding requested for broadcasting programs and includes report language that denies an additional $5 million for broadcasting to Cuba.

Peacekeeping Operations

The Administration strongly urges the House to restore the $25 million to the Peacekeeping Account to respond to unforeseen reconstruction and stabilization needs in regions of conflict. These funds will provide the flexibility required to respond quickly to emergency situations around the world.

United States Institute of Peace

The Administration is concerned that the bill reduces funding for the United States Institute of Peace (USIP) by $5 million from the President's request. This reduced funding level will constrain existing USIP programs in Iraq and Afghanistan and prevent proposed expansions of USIP conflict prevention and post-conflict stability programs.

USAID Capital Investment Fund

The Administration urges the House to provide funding requested for USAID's Capital Investment Fund. The requested increase in this Fund will support USAID's share of the Department of State's Capital Security Cost Sharing (CSCS) program to construct secure diplomatic facilities worldwide. All agencies with overseas presence pay a share of the CSCS program with funds appropriated to each respective agency. New embassy construction projects would not include space for USAID employees if USAID's contribution is not fully funded.

Restriction on Military Assistance to Egypt

The Administration opposes the prohibition on a portion of the foreign military financing to Egypt contained in section 699. Military assistance is critical to our strategic partnership with Egypt and has contributed to a broad range of U.S. objectives in the region. Such a restriction will undermine the U.S. relationship with Egypt and send the wrong message to this important ally in the region.

The U.S.-Russia Investment Fund (TUSRIF)

The Administration does not agree with the Committee's view concerning the endowment of TUSRIF, which is inconsistent with the Administration's policy on Enterprise Fund proceeds. The House is urged to support the Administration's policy for managing the liquidation of TUSRIF in a way that is both good for the taxpayer and supportive of important U.S. foreign policy interests in a democratic Russia. This policy would return 50 percent of the liquidation proceeds to the U.S. Treasury, and provide a grant with the remaining 50 percent to a new assistance foundation in Russia.

Libya

The Administration opposes the continued ban on direct assistance for Libya even though its terrorist state designation has been rescinded. The Administration also opposes as unconstitutional the restriction on carrying out diplomatic operations in Libya and accepting Libyan credentials in section 654 of the Committee bill.

E-Government

The Administration opposes the reprogramming requirements for E-Government implementation funds. These initiatives allow agencies to work together as one Federal enterprise -- reducing duplicative information technology investments while improving service delivery.

Constitutional Concerns

Provisions of the bill that purport to direct or burden the conduct of foreign relations, including negotiations and communications with foreign countries or international organizations, should be amended to delete such direction or burden, or be made permissive, to make the provisions consistent with the constitutional authority of the President to conduct the Nation’s foreign relations, and to supervise the unitary Executive Branch. Such provisions include sections 104, 107, 110, 114, 646, 654, 685, 614, 661(a)(1), 662, 690, 691(c), 694(b), and 685.

Provisions of the bill, such as sections, 656(a)(1) and (c), 658(a)(4), 661(d), 695(b). 606(e)(2), 609(d), 611(b), 633(I), 642(b), 664(b), and 678(e), and language under the headings, “Transition Initiatives,” United States Agency for International Development, and “Debt Restructuring,” Department of the Treasury, purport to require execution of the law in consultation with committees of Congress. Because these provisions would infringe on separation of powers, they should be modified to be permissive.

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