



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

July 14, 2003
(Senate)

STATEMENT OF ADMINISTRATION POLICY

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

S.1382 – Department of Defense Appropriations Bill, FY 2004

(Sponsors: Stevens (R), Alaska; Byrd (D), West Virginia)

The Administration supports Senate passage of the FY 2004 Department of Defense Appropriations Bill and looks forward to working with the Senate to address the Administration's concerns addressed below. The Administration has not yet reviewed the classified version of the bill, nor has the Administration had ample time to review the unclassified version, and reserves the right to comment further.

The Administration applauds the Senate Committee for reporting a bill that is fiscally responsible. 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.

Based on OMB scoring, the Senate bill is \$2.5 billion below the President's FY 2004 discretionary request. While this is consistent with the discretionary total agreed to for the FY 2004 appropriations bills, the Administration is opposed to the way in which this reduction was achieved. The reduction is achieved primarily from a \$3.2 billion rescission of FY 2003 supplemental funds for Iraq, which would reduce the Administration's flexibility to address emerging urgent security and reconstruction requirements.

The Administration is concerned about the justification for the shift of over \$1 billion from Operations and Maintenance and just over \$1 billion from the Revolving Fund accounts to Procurement and Research, Development, Test, and Evaluation.

The Senate bill includes an increase of \$1.2 billion for Procurement and \$1.6 billion for Research, Development, Test, and Evaluation for a number of unrequested programs. These increases come at the expense of more important transformational programs included in the President's Budget, such as the Space Based Radar program, advanced military satellite communications, and the Ballistic Missile Defense System interceptor.

Further, the bill limits multi-year authority for the Virginia class submarine to one boat per year,

which will almost certainly increase program costs. The bill will also increase the cost of the Tactical Tomahawk as it does not provide multi-year authority for this program.

The Administration strongly opposes the language in the bill that prohibits the Department of Defense from paying fees to the Department of State related to the construction of new diplomatic facilities. The Administration's plan for capital cost sharing scheduled to begin in FY 2005 will require agencies to provide funding for the program from their own appropriations.

The Administration urges the Senate to remove the provision that prohibits any research and development for the Terrorism Information Awareness Program. This provision would deny an important potential tool in the war on terrorism.

The Senate is also urged to increase the Secretary of Defense's general transfer authority from \$2.1 billion to \$4 billion, as requested, to ensure flexibility to address emerging needs.

The Administration opposes the omission in the bill of the President's request for an indefinite appropriation to help address the problem of volatile fuel prices. Currently, funding forecasts pre-date actual purchase by 20 months. An indefinite appropriation would allow the Department to cover the difference between the funds budgeted for refined petroleum products and actual market expenses.

Constitutional Concerns

As noted above, the Administration reserves the right to address any potential constitutional issues raised by this bill.

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