



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

May 24, 2006
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5427 – Energy and Water Development Appropriations Bill, FY 2007

(Sponsors: Lewis (R), California; Obey (D), Wisconsin)

The Administration supports House passage of the FY 2007 Energy and Water Development Appropriations Bill, as reported by the House Committee.

The Administration commends the Committee for reporting this bill in a timely manner. While the bill exceeds the President's request, the Administration appreciates that the Committee held funding in the bill below last year's level and adopted a number of the savings proposals from the President's Budget, while funding many important priorities. The President's FY 2007 Budget holds total discretionary spending to \$872.8 billion and cuts non-security discretionary spending below last year's level. The Budget funds priorities and meets these limits by proposing to reform, reduce, or terminate 141 lower-priority programs. The Administration urges Congress to fund priority needs while holding spending to these limits. The Administration looks forward to working with Congress to adopt the President's proposals to cut wasteful spending in order to maintain fiscal discipline to protect the American taxpayer and sustain a strong economy.

The Administration strongly commends the Committee's support of the President's American Competitiveness Initiative and the Advanced Energy Initiative, which together will strengthen the Nation's investments in science and technology, reduce our dependence on foreign sources of energy, and help maintain a strong economy.

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

Department of Energy (DOE)

The Administration commends the Committee's strong support for the President's priorities, including fully funding the request of DOE's Office of Science, which is a key part of the President's American Competitiveness Initiative, and for the geologic repository to be constructed at Yucca Mountain, Nevada. The Administration also appreciates the strong support for the President's Advanced Energy Initiative to reduce America's dependence on foreign sources of energy. The Administration urges the House to fully fund the Global Nuclear Energy Partnership, which will address spent nuclear fuel, eliminate proliferation risks, and expand the promise of clean, reliable, and affordable nuclear energy. The Administration also appreciates the Committee's work to reduce the number of earmarks and to fund them separately from the base programs.

The Administration commends the Committee's adoption of the Budget proposals to eliminate funding for certain low-priority programs in the Department, including funding for oil and gas research and development (R&D). The Administration believes that oil and gas

development does not need to be subsidized with taxpayers' money, particularly given elevated energy prices and increased cash flows of energy companies. The Administration applauds the Committee's efforts to reduce unwarranted oil and gas subsidies in discretionary programs and will work with Congress to enact the Budget proposals to terminate mandatory funding for oil and gas R&D.

The Administration appreciates that the Committee provided funding for FutureGen to demonstrate new clean coal technologies. The Administration also appreciates the Committee's consideration of the \$15 million in requested funding for the Asia Pacific Partnership and looks forward to working with the Committee on this very important clean technology initiative.

The Administration strongly opposes the Committee's direction for the Defense Nuclear Facilities Safety Board to terminate its oversight of the Hanford Waste Treatment Plant construction project and for the Nuclear Regulatory Commission to assume this responsibility through a memorandum of understanding with the Department. The Board's independent oversight of this project continues to be necessary to protect public health and safety, while preserving the Secretary of Energy's ability to manage DOE's production, and cleanup missions.

The Administration opposes section 311, which would restrict DOE's ability to address increasing pension-related contractor costs. The Administration continues to support defined benefit pension reforms that ensure adequate funding of promises made to employees by their employers.

The Administration opposes the \$161 million increase for the Environmental Management program and the reallocation of funds resulting in a \$90 million reduction for the Hanford Waste Treatment Plant. The President's Budget continues the progress made in cleaning up the legacy from nuclear weapons production and the House is urged to fund these activities at the requested levels.

The Administration appreciates the Committee's support for the important work of the National Nuclear Security Administration. However, the Administration opposes the elimination of all funding for the U.S. MOX Facility and the Pit Disassembly and Conversion Facility. Elimination of this funding will create a serious setback for plans to dispose of surplus weapon-grade plutonium. Changing the disposition strategy now in favor of immobilization or any other method would delay disposing of surplus plutonium by many years and waste the nearly \$1 billion that has already been invested in the MOX program. Furthermore, the Pit Disassembly and Conversion Facility is needed to prepare weapons-grade plutonium for disposition regardless of the method selected.

The Administration also opposes a \$100 million reduction in funding for the Chemistry and Metallurgy Research Replacement Facility. Delaying this facility would leave the nuclear weapons complex without a viable pit manufacturing and certification capability.

The Administration opposes the \$145 million funding reduction to Facilities and Infrastructure Recapitalization Program that is crucial to both the transformation of the nuclear weapons complex to a Responsive Infrastructure and to the continued success of the Stockpile Stewardship Program. This reduction will further delay the program and is inconsistent with the Senate and House Defense Authorization bills.

The Administration does not support the Committee's action to increase the level of receipts that the Power Marketing Administrations (PMAs) could spend to purchase power. The bill will create adverse incentives to increase the PMA's purchased power costs and risks potentially at taxpayer expense, rather than have PMA customers purchase power in the market themselves.

The Administration also urges the House to provide the expenditure authority, as required by the 1980 Northwest Power Act, that would allow the Bonneville Power Administration to fund five new fish mitigation projects.

Corps of Engineers -- Civil Works (Corps)

The Administration commends the House for supporting a performance-based approach for funding projects within the Corps construction program. The Administration applauds the Committee's leadership in improving the management and accountability of the Corps through changes to its contracting procedures and long-term budget planning, and urges extending the contracting reforms to the Operation and Maintenance and the Mississippi River and Tributaries programs.

The Administration is concerned that the Corps is funded significantly above the President's proposal. The Administration looks forward to working with the Congress to reach agreement on a total funding level for the Corps that is focused to achieve the highest overall economic and environmental return from the Civil Works program and on the agency's three main mission areas: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. The House could achieve savings by removing wastewater treatment plant construction, which is outside the mission of the Corps.

The Administration appreciates the Committee's support for the Everglades program. The Administration also appreciates the concern with, and understands efforts to limit the use of, reprogramming. However, Section 101(a) does not provide a way, in consultation with the Congress, to override these limits in select cases. The Administration also objects to Section 106, which could be construed as prohibiting using performance as a basis for deciding whether to reprogram funds.

The House is urged to provide the full \$85 million requested for operation and maintenance in the Missouri River basin to meet Endangered Species Act requirements and to adopt the related statutory language proposed in the Budget. This will support investments that must be made now to meet future commitments under the biological opinion, including critical work on a major tributary of the Missouri (the Yellowstone) needed to improve the prospects for the survival of the endangered pallid sturgeon.

The Administration strongly urges the House to restore the \$1.7 million requested for competitive sourcing approaches and strongly opposes Section 108 of the bill that would prohibit using competitive sourcing to improve program management for all work by personnel involved in operation or maintenance of locks and dams. The Corps has adopted a reasoned approach for ensuring the fair and effective application of private-public competitions. On a Government-wide basis, the improvements set in motion by similar competitions completed between FY 2003 and FY 2005 will generate an estimated savings that will grow to over \$5 billion over the next 10

years.

In addition, the Administration urges the House to provide the amount requested for the Office of the Assistant Secretary of the Army (Civil Works) and for the General Expenses accounts.

Department of the Interior: Bureau of Reclamation and the Central Utah Project

The Administration appreciates the Committee's continued support for the CALFED program and welcomes efforts to identify specific projects for CALFED activities. However, the House is urged to restore funds for Ecosystem Restoration and Planning and Management Activities to help ensure that a balanced program moves forward with sufficient resources for planning and coordination. The Administration also urges the House to restore funding for the Water 2025 program. Authorizing legislation for this program was submitted to the Congress on March 7, 2006, and the legislation has been introduced in both the House and the Senate.

The Administration appreciates the Committee's support for the proposed rescission of unobligated carryover balances for the Desert Terminal Lakes program and for making certain site security funding reimbursable from non-Federal sponsors. However, the Administration urges the House to restore requested funding for the Yakima River Basin Water Enhancement project, which is critically important to addressing water and ecosystem management in the Yakima River, and to eliminate funding for the low priority Yakima River basin water storage study.

Tennessee Valley Authority (TVA)

The Administration urges the House to provide requested appropriations for TVA's Office of Inspector General to be derived from the TVA Fund. This would allow the TVA Inspector General's Office to conduct its duties in a more independent manner, similar to the Inspector Generals of other Federal agencies.

Constitutional Concerns

Section 303 purports to require approval of the Committees prior to the obligation of funds. These provisions should be changed to require only notification of the Congress, since any other interpretation would contradict the Supreme Court's ruling in *INS v. Chadha*.

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