



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

June 13, 2007
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2641 – Energy and Water Development and Related Agencies

Appropriations Act, 2008

(Sponsor: Rep. Obey (D), Wisconsin)

The Administration strongly opposes H.R. 2641 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 and a nearly 10 percent increase in the projected deficit for 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. In combination with other spending bills, H.R. 2641 would lead to spending and tax increases that put economic growth and a balanced budget at risk.

H.R. 2641 exceeds the President's requests for programs funded in this bill by \$1.1 billion, part of the \$22 billion increase above the President's request for FY 2008 appropriations. The Administration asked that Congress demonstrate a path to live within the President's topline and cover the excess spending in this bill through reductions elsewhere. Because Congress has failed to demonstrate such a path, if H.R. 2641 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. Earlier this year, the House adopted rules designed to bring greater transparency to the earmarking process, including disclosure of sponsors, costs, recipients, and justifications. Unfortunately, these rules are being circumvented by a plan to add earmarks to bills at the last stage of the appropriations process when the Conference Committee finalizes the bills. This plan shields earmarks from public scrutiny, undermines the transparency reforms the House adopted earlier this year, and inhibits the ability of American taxpayers to hold their elected representatives accountable.

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 is concerned about the Committee's intrusion into the management prerogatives of the Department. In particular, many of the directions regarding program organizational structure make it difficult to carry out mission-related activities in the most effective manner possible. The Administration respects the oversight role of Congress, but actions taken in this bill severely restrict the ability of the Secretary to manage effectively important activities of the Department such as security and safety.

American Competitiveness Initiative. The Administration commends the Committee's implementation of the President's American Competitiveness Initiative with its strong support for the Office of Science.

Advanced Energy Initiative. The Administration appreciates the broad support for the President's Advanced Energy Initiative, but the unrequested funding provided in the bill, particularly the significant increases provided for the Office of Energy Efficiency and Renewable Energy, are not necessary to achieve performance goals.

Environmental Management. The Administration opposes the \$359 million increase for the Environmental Management program and the reductions to priority projects. The President's Budget reflects the completion of several major sites and prioritization of funding to address the greatest risks to human health and the environment at sites where cleanup work remains. The House is urged to fund the program at the requested level.

Yucca Mountain. The Administration appreciates the Committee's support for the Yucca Mountain nuclear waste repository program and its recognition of the enormous costs of delay in fulfilling the Government's responsibility for disposing of the Nation's nuclear waste.

Title XVII Loan Guarantee Program. The Administration urges the House to provide the President's request for administrative expenses for DOE's loan guarantee program and to allow sufficient flexibility in selecting technologies in this important program to advance the Nation's energy objectives. These funds will ensure that billions of dollars of loan guarantees are properly administered and taxpayers' interests are protected.

Fossil Energy Research and Development. The Administration agrees with the bill's focusing of efforts within Fossil Energy Research and Development on technology for carbon capture and sequestration, but the funding levels are excessive. In particular, savings could be realized by terminating the Innovations for Existing Plants program -- rather than creating a new mission for this program -- and the oil and gas technology programs, as well as by moderating the proposed increases in Sequestration and Advanced Research.

Strategic Petroleum Reserve. The Administration urges the House to include funding for expansion of the Strategic Petroleum Reserve, thereby enhancing the Nation's energy and national security.

Nuclear Energy Research and Development. The Administration is disappointed with the reduction to the Global Nuclear Energy Partnership (GNEP), a key part of the Administration's strategy to promote the use of nuclear energy domestically and internationally, and for the funding reduction for Nuclear Power 2010, a program that will assist companies with the nuclear

licensing process. GNEP can extend the useful life of the Yucca Mountain nuclear waste repository by reducing the waste placed in the repository. GNEP is also gaining growing support from other nuclear supplier countries, which a cut in funding would put at risk. The Administration urges the House to restore funding for these critical programs.

Electricity Delivery and Energy Reliability. The bill includes a \$19 million funding increase for infrastructure security and energy restoration to assist State and local governments with energy disruption and response preparedness. However, the provision of an additional \$19 million is not justified at this time.

Asia-Pacific Partnership (APP). The Administration objects to the reduction in climate change funding for the Asia-Pacific Partnership for Clean Development and Climate. 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.

National Nuclear Security Administration (NNSA). The Administration appreciates the Committee's support for the important work of NNSA. Of particular note is the Committee's support for the vital work of the Administration's priority non-proliferation programs.

The Administration notes the Committee's continued interest in the effort to eliminate 34 metric tons of weapons-grade plutonium through the creation of mixed oxide fuel. However, the reduction of \$284 million would result in the termination of construction and procurement activities for the MOX facility and in lay-offs of approximately 500 contractor employees. In addition, the Administration disagrees with the Committee's decision to change the structure of the fissile materials disposition program, which involves interdependent facilities that should be managed in one program.

The Administration understands the need to work with the Committee on a plan for transforming the nuclear weapons stockpile and complex that is aimed at assuring bipartisan support. However, the Administration strongly opposes the Committee's decision to eliminate funding for the Reliable Replacement Warhead (RRW). Congress has consistently supported this vital effort to modernize the nuclear weapons stockpile. Failure to continue the program will contribute to increasing concern about weapon performance/reliability and may in turn require the maintenance of a larger size stockpile than was contemplated with RRWs.

The Administration strongly opposes the reduction for Weapons Activities of approximately \$600 million from the President's request. At the lower funding level, activities and programs critical to transform the nuclear weapons complex and allow it to become more cost-effective and responsive to rapidly changing requirements will be severely curtailed.

Power Marketing Administrations (PMAs). The Administration urges the House to provide authority for the Southeastern Power Administration (SEPA) to accept advance funds for reimbursable work. This authority, which has already been authorized by Congress for the other PMAs, is an important alternative source of funds that would allow SEPA to better meet its operations and maintenance needs. The Administration also urges the House to provide expenditure authority, as required by the 1980 Northwest Power Act, for the Bonneville Power

Administration (BPA) to provide capital funding for new fish mitigation projects. Without this authority, BPA cannot fund new fish mitigation projects.

Corps of Engineers (Corps)

The Administration appreciates the Committee's support for a performance-based budget, the focus of available resources on completing meritorious projects currently under construction, and the emphasis on operation and maintenance activities to maintain the Corps' key existing infrastructure. However, the Administration strongly objects to the \$713 million increase for the civil works program. The Administration looks forward to working with Congress to focus the Corps on achieving the highest overall economic and environmental return from the three main mission areas of the civil works program: Commercial Navigation, Flood and Storm Damage Reduction, and Aquatic Ecosystem Restoration.

The Administration appreciates the support for requested funding levels for emergency preparedness activities and for the regulatory program to help ensure timely processing of wetlands permits.

The Administration urges adoption of statutory language proposed in the Budget to enable the Corps to pursue critical work on the Yellowstone River to improve the prospects for the survival of three federally-listed species.

The Administration appreciates the Committee's continued interest in improving the management and accountability of the Corps through changes to its contracting procedures. The Administration is concerned, however, that the Corps will not be able to achieve this objective under the Committee bill, which would maintain the requirement to use continuing contracts. In addition, while the Administration understands the basis for the proposed limitations on the use of reprogramming in the civil works program, the House is urged to revise section 101(a) to allow the Army, in consultation with Congress, the flexibility to override such limits in selected cases.

Department of the Interior, Bureau of Reclamation

The Administration objects to the \$70 million increase above the request for the Bureau of Reclamation (Reclamation). At the same time, the Committee failed to fund the Administration's Water 2025 proposal, which would help prevent future water crises in the West. The Administration submitted legislation in April to authorize this program and looks forward to working with Congress to enact this important legislation.

Tennessee Valley Authority (TVA)

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

Competitive Sourcing

The Administration strongly opposes language that prohibits the Army Corps of Engineers and the Department of Energy from improving Government operations through competitive sourcing.

Both the Corps and the Department have used public-private competition in a fair and reasoned manner to improve the efficiency of their programs. On a Government-wide basis, competitions conducted over the last four years are expected to produce nearly \$7 billion in savings, the majority of savings to be achieved within the next five to seven years.

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