



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

September 20, 2004
(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 2674 – Military Construction Appropriations Bill, FY 2005

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

The Administration supports Senate passage of the FY 2005 Military Construction Appropriations Bill.

The President supports a discretionary spending total of not more than \$819 billion, in addition to \$2.5 billion in advance appropriations for Project BioShield, consistent with his FY 2005 Budget. The President's Budget responsibly holds the growth in total discretionary spending to less than four percent and the growth in non-security spending to less than one percent, while providing the critical resources needed for our Nation's highest priorities: fighting the War on Terror, strengthening our homeland defenses, and sustaining the momentum of our economic recovery. Consistent with the need for responsible spending restraint, the Administration urges the Congress to fully fund unavoidable obligations and not to include any emergency funding, including contingent emergencies, unless mutually agreed upon in advance by both the Congress and the Administration.

The Administration commends the Committee's efforts to provide a bill that ensures the Nation's military construction priorities are met, and provides the resources and infrastructure for our fighting forces at home and abroad. In particular, the Administration appreciates the level of support for Base Realignment and Closure and the critical resources needed to improve the infrastructure and quality of housing for our service men and women and their families.

The President's Budget included a request that would increase the military housing privatization cap from \$850 million to \$1.85 billion. This increase will help improve the quality of life of our military families by eliminating inadequate housing and allowing them the option to rent high-quality homes at prices covered by housing allowances. Furthermore, without this increase, the current limit would be reached by November 2004. OMB would not score any additional cost to this provision, because it does not increase the amount of budget authority available to the Department of Defense (DOD). Moreover, DOD does not need additional budget authority to cover the construction cost of these private projects. These projects receive private sector funding and are controlled and managed by private owners, and DOD does not require service members to live in the units and does not guarantee their occupancy. Any immediate costs to DOD associated with these contracts, such as credit subsidies or cash investments, are paid for out of funds appropriated to the Department's housing accounts. Additional costs to the Department in the form of allowances paid to service members are offset by avoidance of costs associated with building and maintenance of government housing. The Administration urges the Senate to either eliminate the cap or raise the cap to the requested \$1.85 billion, which is essential to meet the FY 2007 DOD goal of eliminating inadequate housing units.

While the Administration supports the Military Construction bill, it notes that the funding increase for approximately 75 unrequested projects in this bill could potentially constrain funding for higher priority programs in other areas. On balance, the bill funds national security requirements within responsible spending levels and the Administration looks forward to working with the Congress to secure its enactment.

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