



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

October 19, 2011

THE DIRECTOR

The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The health of our economy depends on taking action now to create the conditions for the economy to grow, businesses to hire, and the middle class to feel secure. In the long run, our prosperity also depends on our ability to put the Nation on a sustainable fiscal course while making the investments we need to compete and win in the global economy. That is why the President has put forward a balanced plan to jumpstart economic growth and job creation now – and to lay the foundation for continued growth by achieving more than \$4 trillion in deficit reduction over the next 10 years.

Two bipartisan agreements earlier this year created the framework for progress now. In April, the Congress passed final appropriations legislation for fiscal year (FY) 2011 that cut \$40 billion from the FY 2010 scored funding level while also maintaining critical investments. Then in August, the Budget Control Act of 2011 (BCA) instituted spending caps that cut nearly \$7 billion more from FY 2011 discretionary funding subject to the caps. By the end of the decade, the BCA will bring discretionary spending to its lowest level as a share of the economy since the Eisenhower Administration. Achieving these savings has required and will continue to require cutting or reforming programs that are no longer as necessary or as effective as they should be, as well as cutting programs that are important but impossible to afford in the current fiscal environment.

As we make these cuts, however, we also must make critical investments in areas such as education, innovation, and infrastructure. We must maintain our commitment to fund policy initiatives needed for our long-term economic health: health insurance reforms, to make health care more affordable to millions of families and bring down Federal deficits; financial reforms, to prevent a recurrence of the financial crisis; and education reforms, to give every child the tools to succeed in the modern global economy. These efforts are crucial to strengthening our families and communities and spurring economic growth and job creation.

Final appropriations bills for FY 2012 must cut funding under the caps by nearly \$7 billion as reflected in the BCA, and at the same time, must protect and invest in areas critical for job creation and the future of the country's middle class. The Nation needs to do more to reduce the deficit, and the President has offered a detailed blueprint for more than \$3 trillion in additional deficit reduction, but disregarding the BCA agreement and cutting already-tight discretionary program levels even further would be a serious mistake.

The swift passage of appropriations legislation should not be jeopardized by ideological provisions that have no place in funding legislation. The agreement on FY 2011 appropriations reflected this understanding, and this year's agreement should do so as well. In addition, temporary stop-gap appropriations bills prevent agencies from making needed decisions, generating harmful uncertainty and waste. Accordingly, the Administration urges the Congress to pass final appropriations, without ideological or political provisions, to fund the Government for the remainder of the fiscal year.

If the President is presented with a bill that undermines critical domestic priorities or national security through funding levels or language restrictions, contains earmarks, or fails to make the tough choices to cut where needed while maintaining what we need to spur long-term job creation and win the future, the President will veto the bill.

The Administration looks forward to working with the Congress to resolve both funding and language issues in a timely, mutually acceptable way. Funding critical priorities within the BCA's constraints requires difficult cuts and tough choices about allocation levels both among and within subcommittees. Highlights of the Administration's priorities within these constraints are outlined below.

Nonsecurity Priorities

Education, Training, and Health Programs. The Administration strongly commends the Senate Committee's Labor, Health and Human Services, Education, and Related Agencies Appropriations bill for funding key education and training priorities, including providing \$699 million for the Race to the Top and vigorous support for other education reforms; sustaining the maximum Pell Grant award of \$5,550 without reducing access to higher education for low-income students; investing in early education; supporting the Workforce Innovation Fund and worker training; and adequately funding AmeriCorps. In a period of limited resources, these initiatives encourage and reflect the systemic changes and evidence-based interventions that can achieve the greatest impacts at the lowest cost. In order to provide the level of resources needed to fund critical priorities, the Administration urges the Congress to maintain the programmatic funding level in the Senate Committee's bill, which already provides funding below the FY 2011 enacted level after excluding cap adjustments provided for under the BCA. Funding legislation must not require agencies funded in this bill to bear a disproportionate share of the program cuts required by the BCA.

Affordable Care Act (ACA). Final appropriations legislation for FY 2012 must adequately fund the multi-agency activities needed to implement the health care reforms included in the ACA. Rising health care costs drive budget deficits and impose crushing financial burdens on millions of families across the country. The ACA will hold health insurance companies accountable, lower health care costs, guarantee more choice, and ensure that quality, affordable coverage is available for all Americans. Through reforms to cut waste, reduce errors, and boost quality, the ACA will reduce the deficit by hundreds of billions of dollars.

Innovation, Clean Energy, and Advanced Manufacturing. The Administration urges the Congress to provide adequate funding for initiatives foundational to scientific and business innovation, including programs needed to make the transition to a clean energy economy and to

foster other advanced manufacturing. These priorities include the Department of Energy's Energy Efficiency and Renewable Energy Programs (for which the Administration requests no less than \$1.95 billion), Advanced Research Projects Agency (\$300 million), Office of Science (\$4.95 billion), and Energy Information Administration (\$105 million); the National Science Foundation; and the National Institute of Standards and Technology intramural research programs. The Administration also appreciates the significant increase provided in both the House and Senate Commerce, Justice, Science, and Related Agencies bills for the Joint Polar Satellite System. Robust funding for this project is essential so that the Nation does not risk significant degradation in weather forecasts and, in turn, negative impacts on public safety and critical industries.

Physical Infrastructure and Housing. Short-term job creation and long-term competitiveness depend on adequate investment in roads, rails, public transportation, and airports. The Administration continues to support a new surface transportation investment of \$50 billion, a highway bill reauthorization and an Infrastructure Bank authorization. While those matters are pending, the Administration strongly prefers the approach in the Senate's Transportation, Housing and Urban Development, and Related Agencies Appropriations bill, which funds highway, highway safety, and mass transit obligation limitations at baseline levels and supports TIGER grants. At the same time, adequate investment in transportation cannot occur at the expense of critical support for public housing, homeless assistance, housing counseling, and other affordable housing programs when they are greatly needed. The Home Affordable Modification Program, which is a key tool to stabilizing the housing market, must be preserved.

Dodd-Frank Wall Street Reform and Consumer Protection Act. In order to implement the Dodd-Frank Act, the Administration strongly supports the Senate bill's funding levels for the Securities and Exchange Commission and the Commodity Futures Trading Commission, which will enable the regulators to develop, implement, and enforce new requirements for the securities and derivatives markets to protect investors and promote fair trading and a stronger, more stable economy. The Dodd-Frank Act contains essential measures to crack down on abuses in the mortgage industry, make financial contracts simpler, end hidden fees, and provide clear and concise information to borrowers about the obligations they are undertaking.

Protection of Food Safety and Health. It is critical that the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations bill provide robust funding for the Food and Drug Administration to continue implementation of the Food Safety Modernization Act, which includes improved prevention standards, inspections, and oversight of imports. The Administration also appreciates the Senate bill's strong funding for the Food Safety and Inspection Service at the Department of Agriculture. To provide a healthy start for America's children, the Special Supplemental Nutrition Program for Women, Infants, and Children must also be fully funded.

Conservation and Environmental Protection. We also must protect the programs that Americans rely on for the preservation of our air, water, and land. The Administration urges the Congress to make available no less than \$450 million for the Land and Water Conservation Fund, which provides for the preservation and management of areas important to hunters, anglers, and recreationists nationwide. The Congress should also fund the Environmental Protection Agency's operating budget at a level no lower than the FY 2011 enacted level, so it

can carry out its core mission of protecting human health and the environment, providing us with clean air and water, enforcing the law (including increased inspections at oil facilities), and undertaking needed research, among other critical functions.

Core Government Functions. The Administration is proud of its record of cutting waste, fraud, and abuse. At the same time, the Government must have the resources to do its job. The significant reductions in funding for the Internal Revenue Service in both the House and Senate bills will undermine taxpayer service, reduce collections from scofflaws, and add billions of dollars to the deficit. The Administration urges the Congress to provide the IRS program integrity cap adjustment proposed in the President's deficit reduction plan, to invest in tax enforcement and compliance efforts that will save money in the long run and help ensure that all taxpayers live up to their responsibilities. Adequate funding should also be provided for the Federal Aviation Administration's operating requirements and modernization efforts to ensure that our air traffic control system can continue to safely and efficiently accommodate current and projected demand.

Terminations and Reductions. Given the tight budget constraints this year, adequate funding for top priorities requires lower funding elsewhere. The Administration commends both the House and Senate Committees for adopting many of the terminations and reductions proposed in the President's FY 2012 Budget. There remain areas, however, in which either the House or Senate bills have funded programs at higher levels than requested, and the Administration urges the Congress to redirect these funds to other priorities. For example:

- Both the House and Senate bills provide significantly more funding for non-disaster, non-emergency Corps of Engineers programs than requested. These funds could instead support investments in innovation and research that will contribute more significantly to long-run growth.
- The Budget proposed more than \$70 million in savings from the Department of Agriculture which the House and Senate have not adopted and which could be used to ensure adequate support for loans and services in rural America and for food safety.
- Reduced funding for State Criminal Alien Assistance Program, consistent with the President's Budget, would free up scarce resources for higher-priority needs such as the Community Oriented Policing Services Hiring Grants Program.

Extraneous Provisions. The primary purpose of appropriations legislation is to fund the Government, and the Administration strongly opposes ideological and political provisions in these bills. The Administration strongly objects to the inclusion of measures that:

- Undermine implementation of the Affordable Care Act
- Undermine implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act
- Undermine human health, safety, consumer or worker protections
- Undermine environmental protections and conservation
- Abandon settled approaches to divisive social issues
- Raise constitutional concerns, including concerns about interference with the President's constitutional powers and responsibilities

Security Priorities

The President has made it clear that he has no greater responsibility as Commander-in-Chief than protecting our national security, and that he will not accept a budget that compromises our ability to keep the United States safe and secure or to protect and advance our Nation's security interests around the world. The President believes that civilian and military power are inextricably linked, and that effective deployment of tools in a coordinated and flexible way is fundamental to meeting the whole of our national security priorities. The budget, therefore, must build military strength and smart civilian security programs, domestically and around the world.

Overall Defense and State and Foreign Operations Funding Levels. The most critical potential tradeoffs in security funding occur between the Department of Defense (DOD) and the agencies and programs funded in the State, Foreign Operations, and Related Programs Appropriations bill. The Administration strongly supports the Senate's allocation of funding, which was driven by 302(b) allocations that passed the Senate Appropriations Committee by a 29 to 1 vote. The DOD funding level, a freeze, will sustain our strong military, while the difficult but manageable reductions in the Department of State and other international programs leave the resources to sustain critical U.S. engagement around the world. By contrast, an unbalanced approach will not serve America's national security or its vital interests around the world.

Defense. The Administration appreciates congressional efforts to address DOD's highest warfighter needs, especially related to Overseas Contingency Operations, and to support the troops and their families. However, the Administration has concerns with some of the reductions proposed in both the Senate and House bills, and notes there are more than adequate offsets available in programs with lesser military value. The Administration also urges the Congress to support the Senate levels in the final appropriations legislation for Military Construction, and looks forward to working with the Congress to ensure that the highest priority projects are funded.

State and Foreign Operations. The Senate bill for State, Foreign Operations, and Related Programs protects key priorities while making difficult choices, such as adopting proposals in the President's FY 2012 Budget to reduce assistance to countries in Europe and Central Asia with lesser need. The Administration will strongly oppose legislation that decimates vital, bipartisan efforts like global health programs, food security, and global climate change initiatives – all programs aimed at the root causes of instability and insecurity in fragile and failing countries around the world. The Administration also opposes a failure to provide funding for general capital increases at multilateral development banks, which would hamper economic recovery worldwide. The Administration will work with the Congress to explore opportunities where increased transfer authority will provide flexibility to manage this constrained resource level.

National Nuclear Security Administration (NNSA). The Administration urges the Congress to support robust funding for NNSA to continue the commitment to modernization of the nuclear weapons complex and to upgrading the stockpile set forth in the Nuclear Posture Review and reaffirmed as part of the New START Treaty ratification process. In addition, at a time when a grave danger is posed by the proliferation of nuclear materials which can fall into the hands of terrorist organizations, the Administration urges support for highly enriched uranium reactor conversions.

Overseas Contingency Operations (OCO). The Administration commends both the House and the Senate for funding OCO at both the Department of Defense and the Department of State. The Administration urges the Congress to adequately fund both base and OCO funding levels in both agencies, to support the critical missions in Iraq, Afghanistan, and Pakistan.

Veterans Affairs. The Administration appreciates both the House and the Senate's inclusion of sufficient funding to ensure we meet the needs of our Nation's veterans and fulfill our responsibilities to them. This funding also provides the investment needed to continue the modernization of the Department of Veterans Affairs to meet 21st Century challenges.

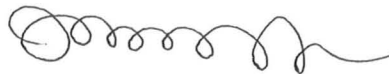
Homeland Security. The Administration urges the Congress to provide adequate resources for the Disaster Relief Fund (DRF) to fulfill its prior obligations and meet the grave needs generated by recent disasters. In light of the latest cost estimates, the Administration urges the Congress to provide a total of \$7.1 billion for the DRF and recommends designating the portion of base funding associated with major disaster declarations as disaster relief under section 251 of the BCA. The Administration also urges the Congress to provide adequate funding for research and development and cybersecurity initiatives targeted at protecting the homeland.

Extraneous Provisions. A number of provisions in the security agencies undermine important policies or restrict needed flexibility in ways that undermine the interests of the United States. Some provisions also raise constitutional concerns, including concerns about interference with the President's constitutional powers and responsibilities.

Conclusion

The American people want their leaders in Washington to put politics aside and work together to make the tough decisions we need to strengthen our economy and prepare our Nation to compete and win in the world economy for years to come. The Administration is committed to that approach and looks forward to working with Members of Congress on both sides of the aisle to allocate taxpayer dollars in a way that is efficient and effective and that does not undermine our long-term economic growth.

Sincerely,



Jacob J. Lew
Director

Identical Letter Sent to The Honorable Harold Rogers, The Honorable Norman D. Dicks, and
The Honorable Thad Cochran