

THE WHITE HOUSE

WASHINGTON

June 1, 2001

The Speaker of the

House of Representatives

Sir:

I ask the Congress to consider expeditiously the enclosed requests for FY 2001 supplemental appropriations for the Departments of Agriculture, Defense (including the Army Corps of Engineers), Energy, Health and Human Services, Housing and Urban Development, the Interior, Transportation, the Treasury, and Veterans Affairs; International Assistance Programs; and the National Aeronautics and Space Administration. The additional resources requested are within the FY 2001 discretionary spending limits enacted by Congress last year.

The supplemental request is primarily for defense activities related to pay, support, training and quality of life for military personnel, as well as the coverage of regular operations costs in the current fiscal year. It is imperative to reverse the pattern of underfunding these costs in the annual appropriations measure. Over the last few years, it has become evident that this approach has created uncertainty in the fourth quarter of the fiscal year and disruption to necessary defense operations. The upcoming amendment to my FY 2002 Budget will incorporate elements of the ongoing strategy review currently underway by the Secretary of Defense. But, it is essential that we start off on the right footing. This supplemental request is a much needed recovery effort and helps lay the groundwork on which the strategy review will build. Favorable and prompt consideration of this request will help achieve this objective.

This transmittal also contains FY 2001 supplemental proposals for the Legislative Branch. In the spirit of comity with the Congress, the supplemental requests for the Legislative Branch are transmitted as proposed by Congress.

The details of these actions are set forth in the enclosed letter from the Deputy Director of the Office of Management and Budget. I concur with his comments and observations. To facilitate the orderly conduct of operations, I urge the Congress to expeditiously enact appropriations as requested before the scheduled July recess.

Sincerely,

A handwritten signature in black ink, appearing to be "John B. ...". The signature is written in a cursive style with a large, looped initial letter.

Enclosure



THE DIRECTOR

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

June 1, 2001

The President

The White House

Submitted for your consideration are requests for FY 2001 supplemental appropriations for the Department of Defense (including the Army Corps of Engineers) and for the Departments of Agriculture, Energy, Health and Human Services, Housing and Urban Development, the Interior, Transportation, the Treasury, and Veterans Affairs; International Assistance Programs; and the National Aeronautics and Space Administration. The additional resources requested are within the FY 2001 discretionary spending limits enacted by Congress and are partially offset by proposed reductions included in this transmittal.

As described below and in more detail in the enclosures, the supplemental requests include the following:

Department of Defense (DoD)

As part of your Administration's effort to address existing DoD needs, a total of \$6.1 billion in supplemental appropriations is requested, partially offset by a reduction of \$0.5 billion in DoD FY 2001 funding. The resulting requests for new DoD discretionary budget authority total \$5.6 billion. See the enclosed table that summarizes DoD's requirements by appropriation title.

Funding is required to finance increased personnel costs resulting from improved health care technologies, newly expanded health benefits, recent pay and benefit increases, and housing allowances. DoD's ability to ensure continuity and leadership depends on retaining highly skilled personnel, and this supplemental is necessary to prevent migration of resources from other areas of the DoD budget. Furthermore, additional funds would support increased housing allowances, thereby reducing out-of-pocket costs to service members living off base.

The supplemental requests would also provide funding to maintain essential levels of training and readiness. In order to maintain pilot proficiency, the military services' fleets of aging aircraft require more resources to achieve adequate flight operation levels. Further, the request includes additional resources necessary for base operations in order to avoid shifting

funds from other needs such as unit training. Funds are also requested for evolving operations, such as Sierra Leone, and to alleviate vulnerabilities in antiterrorism force protection, recently identified by the bombing of the U.S.S. Cole.

In addition, the supplemental request would finance cost growth and contractual commitments for several programs: the C-17 and the Airborne Laser; ships under contract; and, in furtherance of U.S.-Japan relations, the Navy's ability to follow through on plans to recover the bodies of victims lost in the U.S.S. Greenville-EHIME MARU accident. Further, as a major Federal energy user, DoD has experienced significant increases in the price of electricity, as well as increases in the price of natural gas since last year. Included in this proposal are requests for an energy reduction initiative to assist California in its effort to address the peak energy demand on military bases in that State.

Furthermore, the requested funding would accelerate the transformation of U.S. military capabilities to counter post-Cold War threats more decisively, something that both you and Secretary Rumsfeld have emphasized. The supplemental funds requested would accelerate the development of: information warfare capabilities to enhance the intelligence community's ability to detect terrorist threats; the Global Hawk unmanned aerial vehicle to improve the surveillance and reconnaissance capabilities of deployed forces; and miniature munitions to increase the payload capabilities of combat aircraft. Such funding would expand joint experimentation efforts through additional simulations and other initiatives and bolster programs that are especially promising for the needed transformation of America's defense posture.

As noted above, the proposed supplemental funding for DoD for FY 2001 totals \$6.1 billion. This transmittal also includes proposals to reduce \$0.5 billion of available FY 2001 funding. The proposed reductions include \$475.0 million from the V-22 aircraft procurement program (as distinguished from increased funds for research, development, test and evaluation for V-22 corrective action) and \$30.0 million from the B-52 bomber modifications program. These funds are excess to current requirements.

Department of Agriculture (USDA)

- An additional \$35.0 million is requested for USDA's Animal and Plant Health Inspection Service to strengthen border inspections and to better monitor emerging animal and plant diseases, including foot and mouth disease.
- A proposal is included that would provide assistance to producers in the Klamath Basin area of Oregon and California that are subject to extraordinary circumstances resulting from limited water availability.

Department of Energy (DOE)

- \$140.0 million is proposed for DOE's Weapons Activities program to ensure the safety and operational readiness of the nuclear weapons stockpile.

- A total of \$180.0 million is requested for environmental activities that include site cleanup of waste and contamination from nuclear weapons production and energy research; completion of environmental management projects at several defense facilities closure sites; and activities that address recently identified environment, safety, and health issues at the Paducah, Kentucky, gaseous diffusion plant.

Department of Health and Human Services

- An additional \$150.0 million is proposed for the Low Income Home Energy Assistance Program (LIHEAP) to provide home energy assistance to low-income households in the event of extreme summer heat or other energy-related problem. At the present time, no LIHEAP funds are available to address these potential conditions.

Department of Housing and Urban Development (HUD)

- An additional \$40.0 million is requested to fund Federal Housing Administration (FHA) loan guarantees of apartment developments. New mortgage loans are currently suspended due to a lack of appropriations. This funding, in conjunction with a modest increase in premiums, would allow FHA to resume the program.
- A proposal is included that would allow HUD to use FY 2001 resources for a corrective action in response to a probable FY 2000 Anti-Deficiency Act violation, which occurred during the prior HUD administration.

Department of the Interior (DOI)

- \$50.0 million is requested to allow the Bureau of Indian Affairs to repay the accounts in DOI, from which funds have been transferred to purchase power, and to prevent the shutdown of San Carlos Irrigation Project electric power operations in Arizona.

Department of Transportation

- An additional \$92.0 million is requested for Coast Guard expenses related to increased fuel costs; pay and health care benefits; shortages in aviation spare parts; and for costs of deploying Coast Guard Port Security units to the Middle East.
- A proposal is included that would cancel \$93.0 million for construction and improvement of I-49 in Arkansas. If improvements to I-49 are warranted, the State could use its Federal-aid highway formula allocation for this project.

Department of the Treasury

- \$60.6 million is requested to support Department of the Treasury bureaus and other Federal agencies for operational and perimeter security support costs at the 2002 Winter Olympics in Salt Lake City.

- A total of \$115.8 million is requested to implement a tax rebate program. The requested funding would provide for costs associated with the processing and mailing of tax rebate checks to taxpayers.

Department of Veterans Affairs

Mandatory funding.-The entire amount of the increase of these entitlements was included in the FY 2002 Budget and baseline calculations for the current year as items to be transmitted to the Congress later. Enactment of this request would have no pay-as-you-go effect. Absent this adjustment, there may be insufficient funds to pay these mandatory benefits for the remainder of the current fiscal year.

- An additional \$589.4 million and an increase to the statutory limitation is proposed to assure payment to veterans and their families of mandatory disability compensation and pension benefits that were enacted in law after the FY 2001 Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act (P.L. 106-377) was enacted. The request includes funding for a 3.5 percent benefit increase for veterans with service-connected disabilities and survivors of certain disabled veterans, and provides for rate adjustments due to the Consumer Price Index computation error of 1999.
- An additional \$347.0 million is requested to assure payment of mandatory increases in Montgomery GI Bill (MGIB) and related benefits that were enacted in law after P.L. 106-377 was enacted. The funds requested would be made available to ensure payment of a 21-percent increase in basic full-time education monthly benefit rates, an increase in monthly rates for survivors and dependents education assistance, and a change allowing \$2,000 per person for licensing and certification testing under MGIB.

Discretionary transfer authority.-A proposal is included that would permit the transfer of not more than \$19.0 million from the Medical Care account to General Operating Expenses account to provide for additional expenses related to claims processing in the Veterans Benefits Administration. Due to enactment of the Veterans Claims Assistance Act of 2000, and the addition of diabetes to the list of diseases associated with exposure to certain herbicide agents, as provided by the Agent Orange Act of 1991, more than 450,000 claims would be added to the processing workload.

Army Corps of Engineers

- \$50.0 million is requested to provide required response and preparedness work attendant to natural disasters in FY 2001. This is in addition to available funds which are not sufficient to cover these costs in FY 2001.

International Assistance Programs

- A proposal is included that would cancel \$20.0 million of FY 2000 unobligated balances in the Economic Support Fund. This reduction will not impact current operations.

National Aeronautics and Space Administration

- A proposal is included that would allow funds previously designated for the R-2 research mission on the Space Shuttle to be used for support of life and micro-gravity science research on the STS-107 Space Shuttle research mission and for research on the International Space Station. The R-2 mission has been significantly delayed, and the remaining funds will expire at the end of FY 2001 without this action.

In addition, FY 2001 supplemental proposals for the Legislative Branch are included in this transmittal. These supplemental requests for the Legislative Branch are transmitted without change as originally proposed by the Congress.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. The estimates are within the statutory limits for discretionary spending established by Congress last year. The funding requests are necessary to continue orderly operations of the government this fiscal year. Therefore, I join the heads of the affected Departments and agencies in recommending that you transmit the proposals to the Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean O'Keefe". The signature is written in a cursive, somewhat stylized font.

Sean O'Keefe
Deputy Director

Enclosures

DEPARTMENT OF DEFENSE

GENERAL PROVISIONS

SEC. ____ . Fuel transferred by the Defense Energy Supply Center to the Department of the Interior for use at Midway Island during fiscal year 2000 shall be deemed for all purposes to have been transferred on a nonreimbursable basis.

This provision would provide that the Department of the Interior would not be required to reimburse the Defense Energy Supply Center (DESC) for any fuel DESC transferred to the Department of the Interior for use at Midway Island during FY 2000.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Operation of Indian Programs

For an additional amount for "Operation of Indian Programs," \$50,000,000, to remain available until September 30, 2002, for electric power operations at the San Carlos Irrigation Project, of which such amounts as necessary may be transferred to other appropriations accounts for repayment of advances previously made for such power operations.

This supplemental request would provide \$50 million to allow for the repayment by the Bureau of Indian Affairs to the land acquisition accounts of the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service.

In May 2001, the Secretary of the Interior used her transfer authority in Section 102 of the FY 2001 Interior and Related Agencies Appropriations Act (P.L. 106-291) to provide a total of \$41 million to prevent the shutdown of the San Carlos Irrigation Project (SCIP) electric power operations in Arizona. The transfers are expected to cover the cost of power purchases for May through the end of August. However, the supplemental request includes additional funds in case the cost of summer power exceeds current projections. The need for this funding is due to: SCIP's regional linkage to the California power market and low western reservoirs, which contribute to high electricity prices; the lack of alternative power providers in SCIP's service area, which leaves residents, especially diabetics on dialysis, vulnerable to illness or death should power be cut off; and the inability of SCIP to obtain sufficient funding to purchase power by other means. The potential loss of power would have a disastrous effect on the economy and human population of south-central Arizona. The Department of the Interior is drafting legislation to authorize the divestiture of SCIP assets and the Administration hopes to proceed expeditiously.

DEPARTMENT OF THE TREASURY

DEPARTMENTAL OFFICES

Salaries and Expenses

For an additional amount for "Salaries and Expenses" to reimburse any agency of the Department of the Treasury or other Federal agency for costs of providing operational and perimeter security at the 2002 Winter Olympics in Salt Lake City, Utah, \$60,601,000, to remain available until September 30, 2002.

The additional funds requested would be used to reimburse Department of the Treasury bureaus and other Federal agencies providing operational and perimeter security support at the 2002 Winter Olympics in Salt Lake City. The additional funding is for overtime, travel and other related costs, lodging, and equipment. The United States Secret Service, under Presidential Decision Directive 62, has authority to design and implement security plans at major events designated as National Special Security Events, as in the case with the Olympics.