



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

THE DIRECTOR

June 12, 2018

The Honorable Rodney Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Frelinghuysen:

On May 24, 2018, the Financial Services and General Government Subcommittee considered the fiscal year (FY) 2019 Financial Services and General Government Appropriations bill. Overall, according to information provided in the Subcommittee press release, the bill appears to increase funding by about \$0.2 billion, or almost 1 percent above the FY 2019 Budget request. The Administration appreciates the opportunity to weigh in on this bill.

The President's FY 2019 Budget request, as amended, accounts for the Bipartisan Budget Act of 2018 (BBA's) new Defense and non-Defense discretionary spending caps for FY 2019. As we have noted in previous letters as well as the FY 2019 Budget, the Administration strongly supports the overall defense levels included in the BBA. However, given the Nation's long-term fiscal constraints and the need to right-size the Federal Government, the Administration does not support spending at the BBA's non-Defense caps.

The Administration appreciates that the Subcommittee bill includes funding for critical priorities, including:

- Internal Revenue Service (IRS). The bill provides the Department of the Treasury's IRS a total of \$11.6 billion, \$482 million (4.3 percent) above the FY 2019 Budget request. This amount includes \$77 million in dedicated funding for tax reform implementation and base funding for tax enforcement that is \$232 million above the FY 2019 Budget request. The Administration appreciates the Subcommittee's support for tax reform and the amounts provided in the bill fully fund the Administration's two-year proposal requested in FY 2018. Tax enforcement activities are a good investment for taxpayers because every dollar invested in tax enforcement would, over time, reduce the deficit by at least five dollars. The Administration believes the program integrity cap adjustment requested in the FY 2019 Budget would more appropriately reflect these savings under the non-Defense caps.
- Office of Terrorism and Financial Intelligence (TFI). The bill provides the Department of the Treasury's TFI a total of \$161 million, \$2 million above the FY 2019 Budget request. The Administration appreciates the Subcommittee's support for TFI to continue its critical work safeguarding the financial system from abuse and combatting other national security threats using non-kinetic economic

tools. These additional resources are necessary to maintain maximum economic pressure on North Korea, fully fund the Terrorist Financing Targeting Center, continue to implement the Countering America's Adversaries Through Sanctions Act, and respond to other emerging, illicit financial threats.

- Treasury Departmental Offices. The bill provides the Department of the Treasury's Departmental Offices \$209 million, which is \$7 million above the FY 2019 Budget request. These additional funds could be used to strengthen review of foreign investment in the United States and address other emerging priorities. The Administration looks forward to working with the Congress to provide adequate resources to support anticipated increases in the caseload for review by the Committee on Foreign Investment in the United States and forthcoming investment restrictions and enhanced export controls related to the acquisition of industrially significant technology by Chinese interests.
- Executive Office of the President. The bill provides nearly all of the funding requested for the Executive Office of the President including increases for the Office of Management and Budget, Information Technology Oversight and Reform (ITOR), and the National Security Council. The Administration appreciates the Subcommittee's support for the Executive Office of the President and urges the Committee to also fund the transfer of certain ITOR activities to the General Services Administration (GSA), as requested in the FY 2019 Budget.
- Federal Information Technology (IT) Modernization. The Administration appreciates the Subcommittee's attention to modernizing vulnerable and inefficient legacy IT systems and welcomes continued support for the Technology Modernization Fund (TMF), housed within GSA, as a means for addressing these pressing challenges. The bill provides \$150 million for the TMF which would allow the TMF Board to tackle more complex, impactful, Government-wide IT modernization efforts. The Administration believes that any additional funding would be well utilized and will continue working with the Committee to demonstrate the taxpayer value generated by the TMF.
- Federal Asset Sales and Transfer Act (FASTA). The Administration is pleased that the Subcommittee has fully funded the requested levels for the Public Buildings Reform Board as well as the Asset Proceeds and Space Management Fund, housed within GSA, both of which were established under the FASTA legislation. The FASTA legislation provides a welcomed new tool to incentivize agencies to identify underutilized facilities and dispose of those properties, generating savings for the taxpayer and economic development opportunities for communities.
- Federal Communications Commission (FCC). The bill provides \$465 million, which is \$20 million, or 4 percent, above the FY 2019 Budget request, fully offset by fees and prior auction revenue. This amount includes \$135 million for auctions-related activities, \$18 million above the FY 2019 Budget request. The Administration acknowledges the fourfold expansion of entities eligible for reimbursement through

the TV Broadcaster Relocation Fund enacted in the Consolidated Appropriations Act, 2018 and supports the related funding increase for FCC's auctions program.

- The Environmental Review Improvement Fund. The Administration is pleased that the Subcommittee has fully funded the requested levels for the Federal Permitting Improvement Steering Council, which is administratively supported by GSA. The Federal infrastructure permitting process is fragmented, unpredictable, and inefficient, causing delays in approvals needed to start project construction. Fully funding the Environmental Review Improvement Fund will allow the Council to create a more standardized, coordinated, and predictable permitting process that protects public health, safety and the environment.

However, the bill underfunds key investments in critical areas supported in the FY 2019 Budget request and/or includes funding that the Administration believes is not in line with the overall restraint in non-Defense spending reflected in the FY 2019 Budget request, including:

- Community Development Financial Institutions (CDFI) Fund. The bill provides \$191 million, \$177 million above the FY 2019 Budget request, for the CDFI Fund within the Department of the Treasury. The requested amount is sufficient to support ongoing CDFI Fund activities, including the New Markets Tax Credit and the zero subsidy Bond Guarantee Program.
- Federal Buildings Fund. The Administration is disappointed that the bill diverts more than \$1.5 billion in GSA rent receipts intended to fund GSA construction, acquisition, repair and alterations to other non-GSA congressional priorities. The diversion of receipts fails to provide Federal agencies with the commercial equivalent space and services that agencies pay for in rent payments. The FY 2019 Budget request proposed the acquisition of the Department of Transportation headquarters building, the next phase of the Department of Homeland Security consolidated headquarters at St. Elizabeths, and seven additional projects, which could not be funded within the level of funding provided in the bill. Since FY 2011, the Congress has redirected more than \$7.2 billion in GSA rent receipts to other congressional priorities.
- Workforce Fund. The Administration looks forward to working with the Congress to enact authorizing legislation to establish the President's Management Council Workforce Fund housed within GSA and urges the Committee to provide appropriations upon its enactment. The Congressional Budget Office has reported that many types of Federal workers are significantly underpaid or overpaid relative to labor market wages and across-the-board increases applied to the existing pay structure exacerbate this situation. The Administration believes it is essential to develop and fund innovative solutions aimed at recruiting, retaining, and rewarding high performing Federal employees and those with critical skills sets.
- Small Business Administration (SBA) Disaster Loans Program Account. The Administration is concerned that the bill provides only \$31 million for SBA disaster loan administrative expenses, \$155 million below the FY 2019 Budget request. The bill assumes that SBA would rely on balances from appropriations enacted in the

Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (Public Law 115-123, division B, subdivision 1), which would not adequately support typical annual disaster lending levels.

- SBA Entrepreneurial Development Programs. The bill provides \$247 million for SBA's Entrepreneurial Development Programs, equal to the FY 2018 enacted level and \$55 million above the FY 2019 Budget request. The Administration is concerned that the bill does not include proposed reforms to the Small Business Development Centers program to create a competitive set aside and allow for data sharing, which would enable the program to better measure and evaluate effectiveness.
- D.C. Courts. The bill provides \$89 million for capital improvements for D.C. courthouse facilities which is \$50 million above the FY 2019 Budget request. The requested level would fully fund completion of the Moultrie Courthouse.

In addition, while a fully-funded GSA Federal Buildings Fund is critical to making smart real property decisions, the Administration also recognizes that larger, more complex capital transactions would still be difficult to achieve, given competing priorities, particularly for annual operating needs. That is why the Administration has proposed a new budgetary mechanism for large civilian real property projects, the Federal Capital Revolving Fund (FCRF), which would allow the appropriations committees to receive upfront full mandatory funding from the FCRF, in return for committing to repaying those amounts with discretionary budget authority over 15 years. The Administration transmitted legislative language and looks forward to working with the Congress to enact the FCRF proposal.

The FY 2019 Budget request proposed needed reforms to rein in the unchecked authority of the Bureau of Consumer Financial Protection (the Bureau). The Administration is encouraged by the Subcommittee's inclusion of language that would subject the Bureau to the normal appropriations process beginning in FY 2020, create a dedicated Inspector General, and authorize further congressional review of the Bureau's rulemaking procedures. The bill also includes numerous pro-growth provisions providing regulatory relief to promote lending and access to capital markets for American businesses, homeowners, and consumers. While the Administration appreciates the Subcommittee's effort to build on the progress made by recent enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act, there are several technical changes that the Administration would like to see made to these provisions.

The Administration appreciates the Subcommittee's support of provisions included in the FY 2019 Budget request that protect life and religious liberty in D.C. The Administration also applauds the Subcommittee for including the Fund for America's Kids and Grandkids (Fund), housed within the Department of the Treasury, in its bill. This Fund is an example of how the Congress can safeguard funds for future generations and spend below the discretionary spending caps in a time of excessive deficits. In addition, the Administration appreciates the Subcommittee's support for the National Archives and Records Administration's legislative changes, which are critical to implementing its electronic Government reform proposal. Consistent with the FY 2019 Budget request, the Administration also appreciates removal of the provision which prevents certain non-career appointees in the Senior Executive Service from receiving a pay rate increase in calendar year 2019.

The Administration is concerned that the bill continues to exclude language that would enable SBA to establish and operate a Working Capital Fund for IT-related expenses, pursuant to the authorities granted in the Modernizing Government Technology Act.

The Administration appreciates that the bill, as requested in the FY 2019 Budget, ends the moratorium that currently prevents agencies from using public-private competitions as a tool for determining whether specific work of the Government should be performed by Federal workers or contractors. This tool would enable more efficient use of resources, helping to achieve important goals of the Administration, including those laid out in the President's Management Agenda.

As the Committee takes up the Financial Services and General Government Appropriations Subcommittee bill, the Administration looks forward to working with you to address these concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Mick Mulvaney", written over a horizontal line.

Mick Mulvaney
Director

cc: The Honorable Tom Graves
The Honorable Mike Quigley

Identical Letter Sent to the Honorable Nita Lowey