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

July 9, 2018

The Honorable Richard Shelby
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

On June 21, 2018, the Appropriations Committee considered the fiscal year (FY) 2019 Financial Services and General Government Appropriations bill. Overall, according to preliminary OMB estimates, the bill appears to increase funding by about $0.2 billion, or nearly 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 Committee bill includes funding for critical priorities, including:

- Internal Revenue Service (IRS). The bill provides the IRS a total of $11.3 billion, $128 million above the FY 2019 Budget request. This amount includes $77 million in dedicated funding for tax reform implementation. The Administration appreciates the Committee's support for tax reform and the amounts provided in the bill fully fund the Administration's two-year proposal requested in FY 2018.

- Office of Terrorism and Financial Intelligence (TFI). The bill provides $159 million for the Department of the Treasury's TFI, equal to the FY 2019 Budget request. The Administration appreciates the Committee'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.

- Bureau of Engraving and Printing (BEP). The bill includes a provision that would allow BEP to acquire land and construct a replacement for its currency production facility in the National Capital Region using its existing resources. The Administration appreciates the Committee's support for this proposal which would allow BEP to avoid a costly renovation of its current facility and ultimately lower the operating costs of producing the Nation's paper currency.

- Treasury Departmental Offices. The bill provides $209 million for the Department of the Treasury's Departmental Offices, 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.

- Commodity Futures Trading Commission (CFTC). The bill provides CFTC with $282 million, in line with the resources requested in the FY 2019 Budget, to expand examination and analysis capabilities and address financial technology innovation. The Administration urges the Congress to support legislation authorizing user fees to fund certain CFTC activities, as proposed in the FY 2019 Budget.

- Environmental Review Improvement Fund. The Administration appreciates that the Committee has fully funded the requested levels for the Federal Permitting Improvement Steering Council, which is administratively supported by the General Services Administration (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:

- Executive Office of the President. While the Administration appreciates the Committee's support for the Executive Office of the President, including an increase for the Office of Management and Budget, the bill does not fully fund the Information Technology Oversight and Reform (ITOR) account. Inadequate funding for ITOR would necessitate significant staff reductions and severely hinder OMB's ability to perform statutorily required IT oversight functions. Furthermore, the U.S. Digital Service would be less able to respond to significant security breaches or recover failed systems, placing the Nation's critical systems at undue risk. The Administration urges the Congress to fund ITOR and the GSA Office of Government-wide Policy at the levels requested in the FY 2019 Budget, which would facilitate the transition of certain ITOR activities to GSA. The Administration is also concerned that $2 million of OMB's appropriation is directed to the Office of Information and Regulatory Affairs (OIRA). OIRA plays a key role in the Administration's deregulatory agenda and will continue to receive the resources it needs to execute its critical mission within OMB's budget. Directing a specific funding level impinges on the President's flexibility to adjust staff resources as mission needs change.

- Community Development Financial Institutions (CDFI) Fund. The bill provides $250 million, $236 million above the FY 2019 Budget request, for the CDFI Fund within the Department of the Treasury. The $14 million requested for administrative expenses in the FY 2019 Budget is sufficient to support all ongoing CDFI Fund activities, including the New Markets Tax Credit and the zero-subsidy Bond Guarantee Program.

- Federal Buildings Fund. While the Administration appreciates that the bill provides nearly $2 billion in capital funding, including the necessary funds to purchase the Department of Transportation headquarters building, the Administration is disappointed that the bill diverts nearly $500 million in GSA rent receipts intended to fund GSA capital projects 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. In addition, the bill only partially funds the construction of the Land Port of Entry in Calexico, CA and the next phase of the consolidated headquarters for the Department of Homeland Security; neither project can be initiated until full funding is secured.

- 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 Congress 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.

- Technology Modernization Fund (TMF). The Administration appreciates the Congress's prior attention to modernizing vulnerable and inefficient legacy IT systems with initial funding provided to the TMF in FY 2018, and urges continued support for the TMF in FY 2019 as a means to address these pressing challenges. The bill provides no funding for the TMF, which would halt the Technology Modernization Board's ongoing work to tackle impactful, Government-wide IT modernization efforts. The Administration believes that any additional funding would be well utilized and will continue working with the Congress to demonstrate the taxpayer value generated by the TMF.

- Small Business Administration (SBA) Disaster Loans Program Account. The Administration is concerned that the bill does not provide funding for SBA disaster loan administrative expenses, despite the $186 million included in 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 $242 million for SBA's Entrepreneurial Development Programs, $50 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.

The Administration is concerned that the bill does not include language necessary to 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 is also concerned that certain language in the bill seeks to infringe on the President's prerogative to make budgetary recommendations concerning the Army Corps of Engineers, which helps ensure careful stewardship of taxpayer funds.

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 on June 12, 2018 and looks forward to working with the Congress to enact the FCRF proposal.

In addition, the FY 2019 Budget request reflects the Administration's desire to bring more Federal spending under the caps reached in the 2018 BBA by limiting the use of changes in mandatory programs, or CHIMPs, that generate no net outlay savings to offset real increases in discretionary spending. While there are programmatic reasons for some CHIMPs, most of them simply push the availability of funding from one year to the next, or rescind money from a program that no one actually expected would be spent. The Administration encourages the Committee to achieve its discretionary topline while minimizing the use of CHIMPs.

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

Sincerely,

Mick Mulvaney
Director

cc: The Honorable James Lankford
The Honorable Christopher Coons

Identical Letter Sent to The Honorable Patrick Leahy