



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

January 17, 2003
(Senate)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.J. RES. 2, MAKING FURTHER CONTINUING APPROPRIATIONS FOR THE FISCAL YEAR 2003, AND FOR OTHER PURPOSES

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

The Federal government has been operating under a series of Continuing Resolutions for over one fourth of FY 2003. Completion of the nation's budget for the current year is long overdue, and we appreciate the new Senate leadership making this one of the first priorities of the 108th Congress.

The Administration applauds the commitment of the House and Senate Appropriations Committee Chairmen to the top line agreement with the President. The current version of the Omnibus Bill aims to meet the agreed upon discretionary spending limit of \$385.9 billion, the amount remaining after enactment of the Defense and Military Construction Appropriations Acts. Spending restraint is critical to encouraging continued economic growth, and the Senate has made great progress in moving toward enactment of bills that meet the needs of the country.

The Administration strongly supports the inclusion of \$1.5 billion to support reform and improvement of election administration systems. However, a few significant problems remain to be dealt with before the bill would be acceptable to the President. The current version of the Omnibus Bill underfunds major areas of responsibility and diverts these funds to lesser needs. The bill contains increases in advance appropriations of \$2.2 billion for education programs. This is a misleading practice that Congress and the Administration agreed to curtail last year to ensure critical education programs are fully financed up front. The bill also raises the Pell Grant maximum award to students without providing sufficient funding, significantly underfunding the program. In addition, the Federal Emergency Management Agency's Disaster Assistance account is underfunded by \$1 billion, which could affect the Federal government's ability to respond quickly to future natural disaster situations.

The bill also contains an unacceptable provision in the Housing and Urban Development's Housing Certificate Fund that, as currently drafted, could result in considerable additional costs. The Administration will work with the Senate to address the unintended consequences of this provision. In addition, the Mother-to-Child AIDS Prevention Initiative is reduced by \$150 million and funding for the State Department is reduced by over \$300 million. The Congress is urged to restore funding for these high-priority programs within the acceptable top line. Further, the legislation does not include language requested by the Administration that would allow use of \$200 million in the Economic Support Fund requested for Pakistan and \$15 million already provided in FY 2002 for Jordan for debt reduction.

Equally troubling, the Senate bills, as currently written, include numerous unacceptable statutory restrictions and provisions. For example, certain provisions restrict the newly-created Department of Homeland Security (DHS), including language preventing the transfer of Customs aircraft to the new Department. The bill also contains overly broad language that could impede the orderly transfer of the Office for Domestic Preparedness to DHS as required in the Homeland Security Act. In addition, while funds are provided for the INS Chimera IT system, they are not provided within INS, which could complicate consolidation of IT systems within DHS. The Administration also objects to a number of provisions, which, inconsistent with the Supreme Court ruling in INS vs. Chadha, purport to require Committee approval before Executive Branch execution.

The bill also proposes an unsustainable level of spending for highways, which breaks dramatically with the traditional linkage of highway spending and trust fund revenues. This would put the program on a path to an inevitable gas tax increase, which the Administration strongly opposes. The Administration is also very concerned that the new prohibition against funding assistance for Farm Bill conservation programs out of the conservation operations account will result in only about 10 percent of this year's authorized conservation activities being implemented. The Administration's proposal – which is not part of the current version of the bill – would provide appropriate funding to ensure the farm conservation programs are properly implemented. Further, the current version of the Omnibus Bill omits several current law provisions relating to abortion. If the final version of the bill did not include all current law provisions prohibiting the use of federal funds for abortions, the President's senior advisers would recommend he veto the bill.

The Administration strongly opposes amendments to add new extraneous spending to the package. Specifically, the Administration opposes the Byrd amendments which purport to provide additional "homeland security" spending. The base bill contains, as the Administration requested, an unprecedented increase in the fiscal commitment to defending the homeland. The funds requested are sufficient to address homeland security requirements and, in many cases, are the most that can be absorbed responsibly in the remaining months of this fiscal year.

The Administration believes that the bill before the Senate is a substantial step forward and supports Senate passage of the bill, but a number of changes are still needed as noted above. The final Omnibus Bill must be within the agreed upon top line and meet national priorities to be acceptable to the Administration. We are committed to working with the Congress as the process moves forward to enact the remaining eleven appropriations bills as expeditiously as possible.