



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

July 17, 2007
(House)

STATEMENT OF ADMINISTRATION POLICY
H.R. 3043 – Departments of Labor, Health and Human Services, and Education, and
Related Agencies Appropriations Act, 2008
(Sponsor: Obey (D), Wisconsin)

The Administration strongly opposes H.R. 3043 because, in combination with the other FY 2008 appropriations bills, it includes an irresponsible and excessive level of spending and includes other objectionable provisions.

The President has proposed a responsible plan for a balanced budget by 2012 through spending restraint and without raising taxes. To achieve this important goal, the Administration supports a responsible discretionary spending total of not more than \$933 billion in FY 2008, which is a \$60 billion increase over the FY 2007 enacted level. The Democratic Budget Resolution and subsequent spending allocations adopted by the House Appropriations Committee exceed the President's discretionary spending topline by \$22 billion, causing a 9 percent increase in FY 2008 discretionary spending and a 10 percent increase in the deficit if the entire amount were expended in FY 2008. In addition, the Administration opposes the House Appropriations Committee's plan to shift \$3.5 billion from the Defense appropriations bill to non-defense spending, which is inconsistent with the Democrats' Budget Resolution and risks diminishing America's war fighting capacity. Finally, this bill circumvents spending limits by increasing advance appropriations by \$2 billion, which would bring the total discretionary spending increase to \$24 billion above the President's Budget.

H.R. 3043 exceeds the President's request for programs funded in this bill by nearly \$11 billion, part of the \$22 billion increase above the President's request for FY 2008 appropriations. The President's request for programs in this bill sets forth a fiscally responsible path that provides increases for the nation's highest priorities while reducing funds for low priority or non-performing programs. The President's Budget proposed gross savings of \$3.1 billion for the Department of Education, \$1.2 billion for the Department of Labor, and \$2.3 billion for the Department of Health and Human Services, so that resources could be redirected to more important needs. The Administration has asked that Congress demonstrate a path to live within the President's topline and cover the excess spending in this bill through reductions elsewhere, while ensuring the Department of Defense has the resources necessary to accomplish its mission. Because Congress has failed to demonstrate such a path, if H.R. 3043 were presented to the President, he would veto the bill.

In addition, the Administration would strongly oppose any amendment that would substantially change Federal policies and law on abortion and use taxpayer dollars for the destruction of human life. If the final bill presented to the President were to contain such a provision, the President would veto the bill.

The President has called on Congress to reform the earmarking process that has led to wasteful and unnecessary spending. Specifically, he called on Congress to provide greater transparency and full disclosure of earmarks, to put them in the language of the bill itself, and to cut the cost and number by at least half. The Administration opposes any efforts to shield earmarks from public scrutiny and urges Congress to bring full transparency to the earmarking process and to cut the cost and number of earmarks by at least half.

The Administration would like to take this opportunity to share additional views regarding the Committee's version of the bill.

Department of Education

While the Administration is pleased that the bill supports increased investments for several of the President's education priorities, it is disappointed that the Committee largely fails to adopt the program terminations and spending reductions proposed in the President's Budget and exceeds the Budget's request for the Department of Education by \$6.1 billion or 11 percent. In particular, the President's Budget proposed to terminate funding for 43 Department of Education programs that are duplicative, narrowly focused, or unable to demonstrate effectiveness, including Even Start, Safe and Drug-Free Schools State Grants, and Educational Technology State Grants. The Budget then redirects savings from these terminations and other spending reductions to provide significant increases for priority education programs that have a record of success or hold significant promise for improving student achievement and increasing accountability. The Administration urges the House to adopt the terminations and reductions proposed in the Budget in order to restrain spending and redirect funding to high-priority education initiatives.

Reading First. The Administration strongly opposes the \$629 million reduction in the Reading First program. While the Administration recognizes the significant issues outlined in several Inspector General reports, the Department has addressed these problems and implemented all the IG's recommendations. Moreover, as a result of Reading First, reading proficiency, on measure of reading fluency in 26 States with a few years of data, has increased for third graders by 15 percent and for economically disadvantaged first graders by 28 percent. Outstanding results such as these, particularly among at-risk students, call for sustaining investments in this effective program.

American Competitiveness Initiative (ACI). The Administration appreciates the Committee's support for the Advanced Placement program as part of this initiative. However, the bill does not provide funding for the Math Now programs to help school districts implement research-based instructional practices to prepare at-risk students for more rigorous math courses in middle school, high school, and beyond. The House is also urged to provide \$25 million requested for the Adjunct Teacher Corps, to encourage professionals to bring their needed expertise to the Nation's middle and high schools by becoming adjunct teachers in math and science.

Title I – Education for the Disadvantaged. The \$1.1 billion increase requested in the Budget for Title I Grants is sufficient to continue and enhance No Child Left Behind (NCLB) reforms and, together with the adoption of the Administration's NCLB reauthorization proposals, would help improve achievement at the high school level.

School Improvement Grants. The Administration supports the bill's funding of School Improvement Grants at the requested level.

Striving Readers. The Administration is disappointed that the bill provides \$68 million less than requested for Striving Readers. Secondary school students who read below grade level are at risk of dropping out of school and performing poorly in all subject areas. This program helps address this core issue by supporting research-based reading interventions.

Teacher Incentive Fund. The Administration commends the bill's support for the Teacher Incentive Fund but seeks the \$199 million requested.

National Security Language Initiative (NSLI). The Administration appreciates the bill's support for NSLI but seeks the Budget's entire request for all the education elements of this initiative in order to significantly increase the number of U.S. students learning foreign languages critical for the Nation's security and global competitiveness. Such funding can be achieved, in part, by limiting funding for the Title VI International Education program to no more than the amount requested by the Administration.

Promise and Opportunity Scholarships. The Administration is extremely disappointed that the bill fails to support these crucial new initiatives to offer much needed educational alternatives to low-income students in persistently low-performing schools and to provide competitive grants to help communities expand education options for low-income families.

Pell Grants. The Administration supports increasing Pell Grants to help the neediest postsecondary students meet the rising costs of higher education. The Budget proposed using mandatory savings from making the student loan programs more efficient to increase the Pell Grant maximum award to \$5,400 over five years. The House is urged to adopt this approach, which provides needed increases for Pell Grants in a cost-neutral manner while restraining growth in discretionary spending.

Institute for Education Sciences (IES). The Administration seeks the \$25 million requested for a voluntary student-level data system pilot, which would help increase transparency about institutional outcomes and costs to help parents and policy makers make better decisions while preserving student privacy. The House is also urged to fund the Budget request for Research, Development and Dissemination. Since IES was created, it has transformed the quality and rigor of education research within the Department and created demand for scientifically based evidence of effectiveness to address the Nation's most pressing education needs.

Program Administration. The Administration is disappointed that the House bill cuts the Department of Education's Program Administration by \$25 million compared to 2007 and \$38 million below the President's Budget. This reduction would likely require the Department to initiate extensive unpaid furloughs of staff across the agency, disrupting program operations and preventing the timely award of over \$40 billion in formula and discretionary grants.

Department of Health and Human Services (HHS)

The Administration commends the Committee's support for the third installment of the President's \$7.1 billion Pandemic Influenza plan, Access to Recovery Program, Abstinence Education grants, the Strategic National Stockpile, and Drug Courts. However, the Budget proposed to eliminate or reduce funding for a number of HHS activities that have not been proven to be effective, have already achieved their intended purpose, or are duplicative of other activities, such as Health Professions training grants and the Preventive Health Block Grant. The Administration urges the House to adopt these reforms, in order to be a better steward of the taxpayers' dollars.

Bioterrorism. The Administration objects to the \$135 million increase shared between the State and Local Public Health Preparedness and Hospital Bioterrorism Preparedness grant programs at the Centers for Disease Control and Prevention, and the Office of the Assistant Secretary for Preparedness and Response. These increases will divert resources from more effective and necessary activities to prepare the Nation to respond to a bioterrorism attack, such as the advanced development activities that are critical to accelerate the procurement of biodefense medical countermeasures. The Administration strongly objects to the \$50 million reduction in advanced development funding for the Office of the Assistant Secretary for Preparedness and Response. This proposed reduction would prevent the development of essential medical countermeasures called for in the Pandemic and All-Hazards Preparedness Act, which authorizes up to \$1 billion to be spent on advanced development.

Office of the National Coordinator for HIT (ONC). The House is urged to fully fund the request in order to capitalize on the progress and momentum needed to achieve the President's goal of most Americans having electronic health records by 2014.

Medicare Contracting Reform. The Administration is concerned that the bill does not provide \$90 million in critical funding for the second cycle of Medicare Contracting Reform. HHS's estimates indicate that delay will result in lost savings of approximately \$300 million and increase future administrative costs by roughly \$50-100 million.

Health Care Fraud Abuse and Control Account. The Administration supports the bill's funding for enhanced program integrity efforts to curtail waste, fraud, and abuse in Medicare and Medicaid and believes that the \$183 million requested in the 2008 President's Budget and included in the House Subcommittee bill is sufficient to protect beneficiaries and the Federal Government from waste, fraud, and abuse.

Adolescent Health. The Committee has not included any funding for the Adolescent Health Promotion initiative, which would enable thousands of schools to take advantage of HHS's science-based resources to establish a culture of wellness that begins to halt the epidemic of childhood obesity, reaching more than three million young people and their families.

Domestic HIV/AIDS Initiative. The Administration appreciates the Committee's support of this important initiative but requests full funding. This funding supports increased testing of individuals at high-risk of infection and thus will improve early diagnosis, enabling individuals to alter their behavior to prevent the spread of new infections.

State Health Access Grants. The Administration objects to the provision of \$75 million for a new and unnecessary State health grant program. The President's Budget more effectively expands access to health insurance through Affordable Choices, a standard deduction for health insurance, and reauthorization of the State Children's Health Insurance Program.

Substance Abuse and Mental Health Services Administration. The House is strongly encouraged to include language proposed in the Budget that would substantially improve accountability and results through the incomplete National Outcome Measures data.

Commissioned Corps. The Administration appreciates the Committee's support for the Commissioned Corps transformation to better respond to public health emergencies. However, full funding would enable the Corps to adequately address the recommendations in *The Federal Response to Hurricane Katrina: Lessons Learned* report.

Flu Vaccine. The Administration strongly opposes any restriction on the use of funds under section 317 and the Vaccines for Children program to deliver flu vaccine to children under three years of age if it contains thimerosal. The provision could result in children not receiving any flu vaccine.

Social Services Block Grant (SSBG) and Community Services Block Grant (CSBG). SSBG and CSBG duplicate other Federal social service programs that are better able to demonstrate results. The Administration urges the House to reduce these programs.

Compassion Capital Fund. The House is urged to provide the funding to support 27 additional grants to faith-based and community organizations.

Low-Income Home Energy Assistance Program (LIHEAP). The Administration opposes the excessive increase above the President's request for LIHEAP. The bill provides \$880 million above the request and exceeds the FY 2007 enacted level by over \$500 million. The contingency fund level of \$682 million is also well above historic levels for discretionary appropriations.

Department of Labor

The Administration is disappointed that the Committee blocks many of the Administration's efforts to reform and better manage the Department's programs by rejecting proposed reductions in narrow-purpose, duplicative, and ineffective programs and preventing the use of competitive sourcing as a tool to improve program management and save taxpayer resources. The bill exceeds the request by more than \$900 million, yet underfunds critical management needs like the Information Technology crosscut and core accounting systems.

Community-Based Job Training Grants. The bill provides \$25 million less than the \$150 million requested for Community Based Job Training Grants and funds this program within the Dislocated Worker National Reserve. This would severely limit the Department's ability to help workers in the wake of unanticipated events like natural disasters and mass layoffs.

Job Training. The bill misses an opportunity to improve the cost-effectiveness of Workforce Investment Act programs and includes more than \$20 million in narrow-purpose earmarks. The

Administration also opposes the prevention of regulations to improve the Workforce Investment Act and Trade Adjustment Assistance (TAA) programs, which would reduce bureaucracy, give workers more flexible training options, and better integrate the TAA program with the One-Stop Career Center network.

Union Financial Integrity. The Administration opposes the 20-percent reduction for the Office of Labor-Management Standards, which would seriously weaken the agency's ability to improve union transparency and strengthen financial integrity.

Job Corps. The Administration is disappointed that the bill rejects the Budget's proposal to return the Job Corps program to the Employment and Training Administration -- a shift that would ensure the program's coordination with the Federal workforce investment system and improve administrative efficiency. The Administration is also concerned about the bill's slot mandate, which would hamstring management of the program.

Other Initiatives. The Administration appreciates the support of its proposed consolidation of the Prisoner Re-entry Initiative and Responsible Reintegration of Ex-offenders program. The Administration is also pleased that the bill includes the proposed funding for reemployment and eligibility assessments to reduce Unemployment Insurance improper payments, which will result in annual savings of as much as \$205 million.

Social Security Administration (SSA)

Limitation on Administrative Expenses. The Administration appreciates the full funding of program integrity activities, which will allow SSA to process more continuing disability reviews and redeterminations of SSI eligibility, saving an estimated \$3.6 billion over 10 years.

Totalization Agreements (TAs). The Administration opposes the provision that would prohibit SSA from using administrative funds to develop TAs with other countries that would be inconsistent with current law. SSA would not undertake any such effort if it was inconsistent with current law. Furthermore, there is an established congressional review process for TAs.

Corporation for Public Broadcasting (CPB)

Digital transition and radio interconnection system initiatives can be accommodated from within CPB's already-enacted FY 2008 appropriation, rather than by providing additional funds for those purposes. In addition, CPB should be funded like other programs that receive Federal assistance, rather than through advance appropriations.

Competitive Sourcing

The Administration strongly opposes section 111, which would impose a moratorium on public-private competition at the Department of Labor while the Government Accountability Office conducts a review with an unspecified deadline. The Department has conducted competitions in a fair and reasoned manner to improve the efficiency of its programs. On a Government-wide basis, competitions conducted over the last four years are expected to produce nearly \$7 billion in savings, primarily in the next five to seven years.

Employment Eligibility Verification System

The Administration supports the use of the Employment Eligibility Verification System but urges Congress to provide for a transition period to permit agencies to effectively implement acquisition policies and procedures.

Constitutional Concerns

Sections 207 and 304 purport to require approval of the Committees prior to Executive Branch action. Since these provisions would contradict the Supreme Court's ruling in *INS v. Chadha*, they should be changed to require only notification.

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