



THE DIRECTOR

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

November 17, 2004

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Chairman Stevens:

The Administration appreciates that Congress sent to the President four FY 2005 appropriations bills supporting the Administration's request, including emergency appropriations to address the effects of the hurricanes that severely affected Florida and other areas.

I am writing to express the Administration's views on the nine remaining FY 2005 appropriations bills that have yet to be enacted. The Administration greatly appreciates your work thus far and looks forward to continuing to work with the Congress during the remaining days of this session on these important bills. It is critical that the Congress exercise responsible spending restraint consistent with the levels proposed in the President's FY 2005 Budget, address the President's spending priorities, and send to the President acceptable versions of these bills. The Administration urges the Congress to complete action on these bills before it adjourns for the year.

The Administration supports a discretionary spending total of not more than \$819.4 billion, in addition to \$2.5 billion in advance appropriations for Project BioShield, the level set in the Budget Resolution, which is consistent with the President's FY 2005 Budget. With the appropriations bills already enacted for funding the Department of Defense, the Department of Homeland Security, and the District of Columbia, non-defense/non-homeland security spending should be held to \$387.6 billion. The President has called upon the Congress to ensure that the remaining bills are enacted in a fiscally responsible manner and to complete its work within the agreed upon discretionary spending limits.

The Administration urges the Congress not to include any emergency funding, including contingent emergencies, unless mutually agreed upon in advance by both the Congress and the Administration. The Administration opposes efforts to fund programs as "emergencies" or other inappropriate accounting procedures as a way of breaching agreed upon discretionary spending limits. The President's senior advisors would recommend he veto any bill that exceeds the agreed upon spending limits or remains within the limits only through the use of unacceptable budgetary devices that mask the true level of discretionary spending.

The Administration urges the Congress to adopt the President's civilian pay proposal and strongly opposes any provision that would provide for a government-wide civilian pay raise that exceeds the 2.5 percent pay raise set to go into effect in January 2005. The 3.5 percent increase

provided in the FY 2005 Transportation, Treasury and Independent Agencies Appropriations bills exceeds the President's request by \$2.2 billion, and provides a percentage increase that exceeds inflation, the statutory base pay increase, and the average increase in private sector pay as measured by the Employment Cost Index. Any recruitment or retention problems facing the Government are limited to a few areas and occupations and do not warrant such an arbitrary across-the-board increase. An increase to 3.5 % across-the-board would be very difficult for agencies to absorb, particularly when combined with any other across-the-board reductions used to meet overall spending targets, and will likely require reductions-in-force or shifts of resources away from critical programmatic priorities.

The Administration urges the Congress to complete its work on the remaining FY 2005 appropriations before it adjourns, so that a new Congress can focus its attention on important priorities in the upcoming year. If the Congress cannot complete its work on the remaining FY 2005 appropriations bills before it adjourns for the year, the Administration would accept providing funding in a full-year continuing resolution. While this mechanism is far from ideal, such legislation would ensure Federal agencies have the certainty they need to continue operations uninterrupted.

Presidential Priorities

Millennium Challenge Account (MCA). The Administration is concerned that both the House and Senate bill seriously underfund MCA, providing substantially less than the President's FY 2005 Budget request of \$2.5 billion. At these lower levels, MCA will not be able to provide multi-year support to the 17 countries that have already qualified as eligible to receive MCA assistance or that may qualify in FY 2005. The Administration strongly urges the Congress to reallocate funds more in line with the President's request for this important program.

National Aeronautics and Space Administration (NASA). The Administration also strongly urges the Congress to support the President's "Vision for Space Exploration," a bold initiative for a long-term human and robotic program to explore the solar system. As indicated in the Administration's earlier letter on the House reported VA, HUD bill, the Administration could not accept a reduction similar to what was proposed in that House bill, which would delay plans to implement the President's Vision. While the Administration appreciates the Senate's support and funding level, the Administration also would not accept the Senate's use of \$800 million in emergency funding to achieve this level.

Nuclear Waste Repository/Yucca Mountain. It is vital to fulfill the Federal Government's commitment to secure in one appropriate underground facility nuclear waste now scattered at 126 sites in 39 States. Further delay increases the costs and security risk of storing materials at these various sites. Therefore, it is imperative that the Department of Energy (DOE) have the necessary resources for licensing and constructing the nuclear waste repository at Yucca Mountain, Nevada. The President's FY 2005 Budget also contains a proposal to facilitate the long-term financing for this project and the House Energy and Commerce Committee reported a bill consistent with this proposal. The Administration strongly urges the Congress to adopt this financing proposal before Congress adjourns.

Jobs for the 21st Century. While the Administration appreciates the support the Congress has already demonstrated for the Jobs for the 21st Century initiative, particularly the President's

Striving Readers initiative, the Congress is urged to provide the levels requested for this initiative. In particular, the Administration urges the Congress to adequately fund the Department of Labor's Community College initiative to help America's community colleges train workers for the industries creating the most new jobs.

Emergency Plan for AIDS Relief. The Administration commends both the House and the Senate for including the full \$2.8 billion request for the President's Emergency Plan for AIDS relief. The Administration strongly encourages the Congress to adopt the Senate level and Administration request of \$1.45 billion for the Global HIV/AIDS Coordinator's Office in the Foreign Operations Appropriations bill. A lack of sufficient funding to the Coordinator's Office, compounded by the House's proposed transfer to that office of \$170 million in additional program responsibilities from USAID's focus country programs, would hinder the delivery of needed prevention, care, and treatment for AIDS patients.

Greater Middle East Democracy Initiative/National Endowment for Democracy. The Administration appreciates that both the House and the Senate have provided some funding for the National Endowment for Democracy (NED), part of the Broader Middle East and North Africa Initiative. NED plays a critical role in supporting democratic development in the region, providing assistance to build and strengthen democratic institutions, as well as promoting rule of law, human rights, civic education, and independent media. The Administration urges the Congress to adequately fund the President's request for this important initiative as accelerating political, economic, and social reform in the region is a priority for the United States.

The Administration also has concerns with the funding level of several other priority items, including the programs coordinated by *the USA Freedom Corps, the Hydrogen Fuel Initiative, the Clean Coal Initiative, Food and Agriculture Defense, the Compassion Capital Fund, Prisoner Re-Entry Initiative, Preserve America, American Masterpieces, and Marriage and Healthy Family Development:*

The Administration appreciates the Senate's support for programs such as Americorps, Senior Corps, Learn and Serve America, and Peace Corps, but urges the Congress to adequately fund the President's request. These programs strengthen our culture of service and help find opportunities for every American to volunteer.

The Administration urges both the House and the Senate to fund the President's *Hydrogen Fuel Initiative*, which will reduce the Nation's future dependence on foreign oil and provide cleaner air. The Administration is also concerned that the House and Senate both decrease funding for the President's *Clean Coal Initiative* to improve the environmental performance of coal power plants by reducing emissions and improving efficiency. The Congress is urged to adequately fund the President's request to support clean coal technologies research.

The Administration appreciates the support both the House and Senate provided for some of the requested increases for the *Food and Agriculture Defense Initiative*. However, additional funding is necessary to support our efforts to detect and thwart deliberate attempts to contaminate the food supply. The Administration urges the Congress to adequately fund its request for this initiative.

The Administration urges the Congress to adequately fund the President's request for the *Compassion Capital Fund*. This initiative supports community-based, charitable organization efforts to expand or emulate model social service programs. In addition, the Congress is urged to adequately fund the President's request for his *Prisoner Re-entry Initiative* to help inmates successfully re-enter society, thereby reducing recidivism and protecting our communities. The Administration urges the Congress to adequately fund the President's *Marriage and Healthy Family Development Initiatives*, especially the abstinence education and Responsible Fatherhood and Marriage programs.

Other Administration Objections

There are several provisions included in the current versions of the House and/or Senate bills that, if included in the final versions of the bills, would cause the President's senior advisors to recommend that he veto the bill.

Competitive Sourcing. The Administration strongly objects to several provisions in the remaining bills that would limit the effectiveness of competitive sourcing in improving performance and reducing costs when the government obtains commercial services. The Agriculture and Related Agencies Appropriations and Interior and Related Agencies Appropriations bills include language that would prohibit the use of funds to plan or conduct competitive sourcing studies, and would limit the use of funds spent on competitive sourcing, respectively, and the Congress is urged to delete these provisions. In addition, there are two provisions in the Transportation, Treasury, and Independent Agencies Appropriations bills – one would require competitions involving work performed by more than 10 employees to be decided strictly on the basis of lowest cost rather than considering quality, and one would prohibit any use of funds to implement the revised A-76 circular. If either of these provisions is included in the final version of the bill, the President's senior advisors would recommend he veto the bill.

Cuba Sanctions. The Administration strongly opposes legislative efforts to undermine current U.S. policy regarding Cuba, which is designed to deny resources to a brutal, repressive regime. If any provisions that weaken existing sanctions against Cuba, including restrictions on travel, gift parcels, and the commercial exports of agricultural and medical goods, are included in the final version of the bill presented to the President, he would veto the bill.

Mexico-Domiciled Trucks. The House version of the bill contains a provision that would impede the implementation of a March 2002 proposed rule that would grant foreign carriers a two-year grace period before requiring manufacturing certification of commercial vehicles. While the Administration strongly objects to any provision that would alter an Administration rulemaking or impose any new or additional requirements for Mexican carriers, this language does not prevent us from fulfilling our NAFTA obligations. However, if the final version of the bill contains any new language that would effectively prevent the Administration from fulfilling its NAFTA obligations, the President's senior advisors would recommend that he veto the bill.

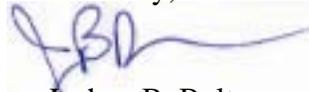
Family Planning. The Administration strongly opposes language included in the Senate version of the bill that would weaken the Kemp-Kasten provision in current law or overturn the Administration's family planning policy (commonly known as the "Mexico City" policy). The President would veto a bill if it were presented to him with such provisions.

Federal Employees Health Benefits Program (FEHBP)/Abortion. The Administration encourages conferees to include the House provisions, which include the prohibition in current law against the use of Federal funds for abortions in the FEHBP, except in cases where the life of the mother is endangered or the pregnancy is the result of an act of rape or incest. The Senate version does not include these provisions. The President's senior advisors would recommend he veto the bill if it were presented to him without language similar to the House provisions. The Administration also strongly supports language added by the House to ensure that health care providers are not discriminated against because they do not provide, pay for, or cover abortions.

Overtime Regulations. Both the House and Senate propose a provision that is designed to restrict the Department of Labor's ability to enforce the final overtime security rule, which went into effect on August 23, 2004. The President's senior advisors would recommend he veto the bill if it were presented to him with these provisions.

The Administration looks forward to working with Congress to keep discretionary spending within the budget's spending limits, to address the President's funding priorities, and to quickly complete action on acceptable versions of these bills.

Sincerely,



Joshua B. Bolten
Director

Identical Letter Sent to The Honorable C. W. "Bill" Young, The Honorable David R. Obey,
The Honorable Ted Stevens, and The Honorable Robert C. Byrd