

THE WHITE HOUSE

WASHINGTON

July 14, 2004

Dear Mr. Speaker:

I ask the Congress to consider the enclosed FY 2005 budget amendments for the Departments of Agriculture, Health and Human Services, Housing and Urban Development, Justice, and Labor. In addition, I ask the Congress to consider the enclosed FY 2004 language proposal for the Department of Housing and Urban Development. Overall, the discretionary budget authority proposed in my FY 2005 Budget would not be increased by these requests.

The details of these proposals are set forth in the enclosed letter from the Director of the Office of Management and Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Dennis Hastert", written in a cursive style.

The Honorable J. Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Enclosure



THE DIRECTOR

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

July 13, 2004

The President
The White House

Submitted for your consideration are requests for FY 2005 budget amendments for the Departments of Agriculture, Health and Human Services, Housing and Urban Development, Justice, and Labor. In addition, this transmittal includes an FY 2004 language proposal for the Department of Housing and Urban Development. Overall, discretionary budget authority would not be increased by these requests.

As described below and in more detail in the enclosures, the requests include the following:

Special Supplemental Nutrition Program

- An additional \$300 million is proposed for the Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to ensure that resources are adequate to meet State agencies' requirements to fulfill demand in FY 2005. This requested increase in budget authority would be fully offset within the Department of Agriculture.

Health

- A language amendment is proposed for the Department of Health and Human Services (HHS) that would provide the Secretary of HHS the flexibility to target resources to States with individuals with HIV/AIDS most in need of lifesaving medications and to increase the total resources available under the set-aside for severe need populations.
- A language amendment is also proposed for HHS that would increase human stem cell research funding by reallocating funds within the National Institutes of Health.

Prisoner Re-entry Initiative

- FY 2005 amendments to the pending appropriations language for the Administration's Prisoner Re-entry Initiative are also proposed. The amendments would modify the requests for the Departments of Housing and Urban Development, Justice, and Labor to facilitate the allocation of joint grant awards, make funds available at the beginning of FY 2005, and broaden the list of eligible grantees and activities, but would not increase the total funding requested. With the involvement of faith-based and community groups, the initiative will help individuals exiting prison make a successful transition to community life and long-term employment.

Federal Detention Trustee

- An additional \$150 million is proposed for the Department of Justice's Office of the Federal Detention Trustee to fund housing and related expenses of the increasing detainee population in non-Federal facilities. This requested increase in FY 2005 budget authority would be fully offset within the Justice Department.

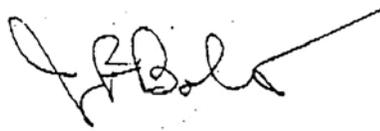
Housing

- Language is proposed for the Department of Housing and Urban Development that would increase the loan commitment limit for the Federal Housing Administration General and Special Risk Program by \$4 billion, bringing the total limit for FY 2004 to \$29 billion.

Recommendation

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments in recommending that you transmit these amendments to the Congress.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bolten', with a long horizontal stroke extending to the right.

Joshua B. Bolten
Director

Enclosures

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE
Bureau: FOOD AND NUTRITION SERVICE
Heading: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
FY 2005 Budget Appendix Page: 177
FY 2005 Pending Request: \$4,787,250,000
Proposed Amendment: \$300,000,000
Revised Request: \$5,087,250,000

(In the appropriations language under the above heading, amend as follows:)

- 1) delete "\$4,787,250,000" and substitute \$5,087,250,000;
- 2) insert after "to remain available through September 30, 2006" , of which \$300,000,000 shall be allocated as the Secretary deems necessary, notwithstanding section 17(i) of such Act, to support participation; and
- 3) insert before the period : Provided further, That none of the funds provided shall be available to pay the administrative expenses of a State agency that, after the date of enactment of this Act, authorizes any additional vendors to transact food instruments under this program if more than 50 percent of the annual revenue of the vendor is derived from the sale of supplemental foods that are obtained with food instruments, except that the Secretary may permit a State agency to approve the authorization of such a vendor if the approval is necessary to assure access to program benefits

This proposal would increase the appropriations request for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to ensure that resources are adequate to meet State agencies' requirements to fulfill current and anticipated demand for program services. This increase is necessitated by significantly higher than anticipated growth in food costs and, to a lesser extent, participation in the program.

This amendment would also provide the Secretary of Agriculture with the discretion to direct the requested additional funds to States and Tribal organizations in need rather than through the standard funds allocation formula.

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Furthermore, this proposal would prohibit States from approving any new vendors to the WIC program that derive more than 50 percent of their income from WIC transactions. The rapid growth of WIC-only stores, vendors that exclusively or predominantly stock WIC-approved food items and serve only WIC participants, is placing tremendous pressure on program costs because WIC-only stores generally charge significantly higher prices than other authorized retailers. The number of WIC-only stores has increased by 50 percent in the past two years and accounts for nine percent of WIC transactions nationwide.

The requested increase in budget authority would be fully offset by proposed reductions to other accounts within the Department of Agriculture, as described in accompanying amendments.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE
Bureau: DEPARTMENTAL ADMINISTRATION
Heading: Agriculture Buildings and Facilities and Rental Payments
FY 2005 Budget Appendix Page: 74
FY 2005 Pending Request: \$203,938,000
Proposed Amendment: -\$28,000,000
Revised Request: \$175,938,000

This proposal would reduce by \$28 million the funds requested in the Agriculture Buildings and Facilities and Rental Payments account for the South Buildings renovation. The reduction would partially offset a proposed increase to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE
Bureau: FOREIGN ASSISTANCE PROGRAMS
Heading: Public Law 480 Title I Program Account
FY 2005 Budget
Appendix Page: 171
FY 2005
Pending Request: ---
Proposed Amendment: -\$205,000,000
Revised Request: -\$205,000,000

(In the appropriations language under the above heading after the last paragraph, add the following new paragraph:)

Of the unobligated balances available to the Foreign Agricultural Service for the Public Law 480 Title I Program at the beginning of fiscal year 2005, \$205,000,000 is hereby canceled.

This proposal would cancel a portion of the unobligated balance in the Public Law 480 Title I Program Account. Unobligated balances currently projected to be carried forward into FY 2005 are sufficient to cover current- and prior-year loan and grant program obligations. The reduction would partially offset a proposed increase to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE
Bureau: FOOD AND NUTRITION SERVICE
Heading: Food Stamp Program
FY 2005 Budget
Appendix Page: 175
FY 2005
Pending Request: \$33,641,798,000
Proposed Amendment: -\$6,000,000
Revised Request: \$33,635,798,000

This proposal would reduce funding for performance measurement and program assessment in the pending FY 2005 discretionary request for the Food Stamp Program account by \$6 million. The reduction would partially offset a proposed increase to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE

Bureau: FOOD AND NUTRITION SERVICE

Heading: Child Nutrition Programs

FY 2005 Budget
Appendix Page: 176

FY 2005
Pending Request: \$11,380,557,000

Proposed Amendment: -\$4,000,000

Revised Request: \$11,376,557,000

(In the appropriations language under the above heading, delete "\$11,380,557,000" and substitute \$11,376,557,000; and delete "\$6,060,860,000" and substitute \$6,056,860,000.)

This proposal would reduce funding for performance measurement and program assessment in the pending FY 2005 discretionary request for the Child Nutrition Programs account by \$4 million. The reduction would partially offset a proposed increase to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE
Heading: TITLE VII–GENERAL PROVISIONS
FY 2005 Budget Appendix Page: 198
FY 2005 Pending Request: ---
Proposed Amendment: -\$13,000,000
Revised Request: ---

(In the appropriations language under the above heading, subsection (l) of section 724 is amended as follows:)

- 1) delete the period at the end of the subsection and substitute ; and; and
- 2) add the following new subsection at the end:
(m) a Farm and Ranch Lands Protection program authorized by 16 U.S.C. 3838h-i, et seq., in excess of \$112,000,000.

This proposal would decrease the amount of funds available for the Farm and Ranch Lands Protection program by \$13 million (from \$125 million to \$112 million). The reduction would partially offset a proposed increase to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF AGRICULTURE
Heading: TITLE VII-GENERAL PROVISIONS
FY 2005 Budget Appendix Page: 199
FY 2005 Pending Request: -\$44,000,000
Proposed Amendment: -\$44,000,000
Revised Request: -\$88,000,000

(In the appropriations language under the above heading, section 725 is amended by deleting "\$44,000,000," and substituting \$88,000,000.)

This proposal would further reduce the funds available in the Local Television Loan Guarantee Program account by \$44 million. The reduction would partially offset a proposed increase to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF HEALTH AND HUMAN SERVICES
Bureau: HEALTH RESOURCES AND SERVICES ADMINISTRATION
Heading: Health Resources and Services
FY 2005 Budget Appendix Page: 423
FY 2005 Pending Request: \$6,022,833,000
Proposed Amendment: Language
Revised Request: \$6,022,833,000

(In the appropriations language under the above heading, add the following at the end of the ninth proviso:)

, of which \$57,500,000 shall be for supplemental treatment grants authorized by section 2618(a)(2)(I)(ii) of such Act

This proposal would provide the Secretary of Health and Human Services (HHS) the flexibility to target resources to States with individuals with HIV/AIDS most in need of lifesaving medications. This amendment also would authorize the Secretary to exceed the three percent cap on AIDS Drug Assistance Program funding for those in severe need of medications by increasing the total resources available under the set-aside for severe need populations from \$22.5 million to \$57.5 million.

The FY 2005 Budget provides the resources necessary to pay for lifesaving drugs each month to approximately 100,000 individuals who lack adequate health insurance or the financial resources necessary to cover the costs of medications.

On June 23, 2004, the President announced the need to ensure that individuals with HIV/AIDS who have limited health insurance and financial resources have access to medications. At that time, the President stated that \$20 million would be used to purchase medications in 10 States with HIV/AIDS waiting lists as of June 21st (Alabama, Alaska, Colorado, Idaho, Iowa, Kentucky, Montana, North Carolina, South Dakota, and West Virginia). The \$20 million would be derived from existing resources, and on June 30, 2004, the Secretary of HHS submitted a reprogramming letter to the Congress.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF HEALTH AND HUMAN SERVICES

Bureau: NATIONAL INSTITUTES OF HEALTH

FY 2005 Budget
Appendix Page: 436

FY 2005
Pending Request: \$28,607,357,000

Proposed Amendment: Language

Revised Request: \$28,607,357,000

(In the appropriations language under the above heading, the following sections are amended:)

- 1) Under the "National Heart, Lung, and Blood Institute" section, delete "\$2,963,953,000" and substitute \$2,965,453,000;
- 2) Under the National Institute of Diabetes and Digestive and Kidney Diseases" section, delete "\$1,726,196,000" and substitute \$1,727,696,000;
- 3) Under the "National Institute of Neurological Disorders and Stroke" section, delete "\$1,545,623,000" and substitute \$1,547,123,000; and
- 4) Under the "National Cancer Institute" section, delete "\$4,870,025,000" and substitute \$4,865,525,000; and insert the following at the end:

In addition to the amounts provided herein for the Surveillance Epidemiology and End Results survey, \$4,500,000 are available from amounts under section 241 of the Act to carry out such survey.

This proposal would increase human stem cell research funding by reallocating \$4.5 million in budget authority from the National Cancer Institute to be divided equally among the National Heart, Lung, and Blood Institute (NHLBI); the National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK); and the National Institute of Neurological Disorders and Stroke (NINDS). The total discretionary budget authority proposed for the National Institutes of Health (NIH) in FY 2005 would not be affected by this amendment.

The increase in NHLBI, NIDDK, and NINDS would support human stem cell translational research centers for diseases that could include diabetes, Parkinson's disease, and spinal cord injury. The funds reallocated by the National Cancer Institute (NCI) would be restored within the overall request for NIH for evaluation activities through the use of the Secretary's authority under Section 241 of the Public Health Service Act, which allows the allocation of a portion of the total amounts appropriated for programs under the Act to be used for this purpose.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF JUSTICE
Bureau: GENERAL ADMINISTRATION
Heading: Detention Trustee
FY 2005 Budget
Appendix Page: 666
FY 2005
Pending Request: \$938,810,000
Proposed Amendment: \$150,000,000
Revised Request: \$1,088,810,000

This proposal would provide an additional \$150 million to the Office of the Federal Detention Trustee to fund housing and related expenses of the increasing Federal detainee population housed in non-Federal facilities. This amendment would be fully offset by proposed reductions to other accounts within the Department of Justice, as described in accompanying amendments.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF JUSTICE
Bureau GENERAL ADMINISTRATION
Heading: Working Capital Fund
FY 2005 Budget Appendix Page: 668
FY 2005 Pending Request: ---
Proposed Amendment: -\$60,000,000
Revised Request: -\$60,000,000

(Under the above heading, insert the following appropriations language:)

Of the unobligated balances available under this heading on September 30, 2004, \$60,000,000 is hereby canceled.

This proposal would decrease unobligated balance available for the Working Capital Fund by \$60 million. The reduction would be used to partially offset a proposed increase in budget authority for the Detention Trustee account, as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency:	DEPARTMENT OF JUSTICE
Bureau	LEGAL ACTIVITIES AND U.S. MARSHALS
Heading:	Legal Activities Office Automation
FY 2005 Budget Appendix Page:	671
FY 2005 Pending Request:	\$80,510,000
Proposed Amendment:	-\$35,000,000
Revised Request:	\$45,510,000

This proposal would reduce by \$35 million the pending FY 2005 request for deployment of the Department of Justice's Consolidated Office Network in the Bureau of Prisons, with no adverse programmatic impact. This reduction would be used to partially offset a proposed increase in budget authority for the Detention Trustee account, as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF JUSTICE
Bureau: FEDERAL PRISON SYSTEM
Heading: Building and Facilities
FY 2005 Budget
Appendix Page: 691
FY 2005
Pending Request: ---
Proposed Amendment: -\$55,000,000
Revised Request: -\$55,000,000

(Delete the brackets around the account title and insert the following language under the revised heading:)

Of the unobligated balances available under this heading on September 30, 2004, \$55,000,000 is hereby canceled.

This proposal would cancel \$55 million of the unobligated balance from resources previously provided for the medium security facility planned for Mendota, California. This reduction would be used to partially offset a proposed increase in budget authority for the Detention Trustee account, as described in an accompanying amendment.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Bureau: COMMUNITY PLANNING AND DEVELOPMENT
Heading: Homeless Assistance Grants
FY 2005 Budget Appendix Page: 529
FY 2005 Pending Request: \$1,282,400,000
Proposed Amendment: Language
Revised Request: \$1,282,400,000

(In the appropriations language under the above heading, amend as follows:)

- 1) delete "\$1,282,400,000" and substitute \$1,257,400,000;
- 2) delete "; and of which \$25,000,000 shall be for the Prisoner Re-Entry Initiative and shall remain available until expended"; and
- 3) add the following new paragraph at the end:

In addition, \$25,000,000 for fiscal year 2005, which shall be transferred to "Training and Employment Services," Employment and Training Administration, Department of Labor, and shall be for the Prisoner Re-entry Initiative as established under that heading.

This proposal would amend the Prisoner Re-entry Initiative (PRI) program in the Homeless Assistance Grant account by: (1) separating PRI funds from the total account appropriation to allow them to be used for a broader category of eligible recipients; (2) allowing PRI funds to be transferred from the Department of Housing and Urban Development (HUD) to the Department of Labor (DOL) for administration; and (3) changing the period of their availability from no year to one year, similar to DOL's funding for this initiative.

The 2005 Budget proposed a Prisoner Re-entry Initiative involving HUD, DOL, and the Department of Justice that will help individuals exiting prison make a successful transition to community life and long-term employment through job training and placement services, transitional housing assistance, and mentoring.

This amendment would not increase the discretionary budget authority proposed in the FY 2005 Budget.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF JUSTICE
Bureau: OFFICE OF JUSTICE PROGRAMS
Heading: Justice Assistance
FY 2005 Budget Appendix Pages: 693-694
FY 2005 Pending Request: ---
Proposed Amendment: Language
Revised Request: ---

(In the appropriations language under the above heading, delete the language in paragraph (2)(F) and substitute the following:)

\$15,000,000 for a Prisoner Re-entry Initiative: Provided further, That such sums shall be available for grants to faith and community-based organizations or for transfer to "Training and Employment Services," Employment and Training Administration, Department of Labor, for the Prisoner Re-Entry Initiative as established under that heading;

This proposal would amend the Prisoner Re-entry Initiative (PRI) program in the Justice Assistance account by: (1) referring to the intended purpose of the funds, which is the Prisoner Re-entry Initiative, rather than the previously authorized offender reentry initiative; and (2) making these funds available to carry out the PRI program and related activities through direct grants to faith and community-based organizations or for transfer to the Employment and Training Administration, Department of Labor (DOL), for the same purposes.

The 2005 Budget proposed a Prisoner Re-entry Initiative involving the Department of Housing and Urban Development, DOL, and the Department of Justice that will help individuals exiting prison make a successful transition to community life and long-term employment through job training and placement services, transitional housing assistance, and mentoring.

This amendment would not increase the discretionary budget authority proposed in the FY 2005 Budget.

FY 2005 Budget Amendment

Agency: DEPARTMENT OF LABOR
Bureau: EMPLOYMENT AND TRAINING ADMINISTRATION
Heading: Training and Employment Services
FY 2005 Budget Appendix Page: 705
FY 2005 Pending Request: \$5,226,292,000
Proposed Amendment: Language
Revised Request: \$5,226,292,000

(In the appropriations language under the above heading, after "\$90,000,000", insert (which shall be available for obligation for the period October 1, 2004 through September 30, 2005), and after "the Prisoner Re-entry Initiative" insert and related activities.)

This proposal would amend the Prisoner Re-entry Initiative (PRI) program in the Training and Employment Services account by: (1) making the funds available to carry out the Prisoner Re-entry Initiative, but also "related activities" and (2) making the funds available for obligation October 1, 2004, through September 30, 2005, rather than the original request of July 1, 2005, through June 30, 2006.

The 2005 Budget proposed a Prisoner Re-entry Initiative involving HUD, DOL, and the Department of Justice that will help individuals exiting prison make a successful transition to community life and long-term employment through job training and placement services, transitional housing assistance, and mentoring.

This amendment would not increase the discretionary budget authority proposed in the FY 2005 Budget.

FY 2004 Proposal

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

General and Special Risk Program Account

Under the heading, "General and Special Risk Program Account," Federal Housing Administration, in title II of Division G of the Consolidated Appropriations Act, 2004 (Public Law 108-199; 118 Stat. 386), delete from the first proviso "\$25,000,000,000" and insert in lieu thereof "\$29,000,000,000".

This proposal would increase the loan commitment limit for the Federal Housing Administration (FHA) General and Special Risk Program Account by \$4 billion, bringing the total limit for FY 2004 to \$29 billion.

The General Insurance and Special Risk Insurance Funds (GI/SRI) provide mortgage insurance for single family, multifamily, nursing home, and hospital loan programs. Current full-year projections, based on three quarters of the year, indicate commitments will reach a level close to that of the existing commitment limit of \$25 billion.

There is risk that the current limit could be reached before the end of FY 2004. The GI/SRI loan programs are highly responsive to changes in economic factors and real estate market forces. Unexpected increases in loan applications are possible. Additionally, direct endorsement of single family loans by FHA-approved lenders requires advance notice to halt commitment activity. The requested increase in commitment limit would provide greater assurance that disruption of loan processing due to exhaustion of commitment authority will be avoided.

This proposal would produce negative credit subsidy receipts estimated to be \$3 million in FY 2004 and \$7 million in FY 2005.