



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

November 12, 2003
(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 1584, The Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill

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

While the Administration supports Senate passage of the FY 2004 Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill, as reported by the Appropriations Committee, the Administration is concerned that the bill in its current form would cause spending to exceed the levels agreed to by the Administration and the Congress.

The Administration will work with the Congress to ensure that the FY 2004 appropriations bills ultimately fit within the top line funding level agreed to by both the Administration and the Congress. The President supports a discretionary spending total of \$786.0 billion, along with advance appropriations for FY 2005 -- in accordance with his Budget, the FY 2004 Budget Resolution, and the agreement between the Administration and the Congress. Constraining the overall growth of government spending is critical to the Nation's ability to provide needed resources for national priorities while encouraging continued economic growth. The Administration is committed to working with the Congress to ensure that its priorities are met within that overall total.

Additional Administration views regarding the Committee's version of the bill are:

Housing and Urban Development (HUD)

The Administration appreciates that the Committee funded the Department largely at the President's requested levels and provided for a new FHA product that will create homeownership opportunities for more families with poor credit records.

The Administration urges the Senate to fully fund the American Dream Downpayment Initiative, which would assist approximately 40,000 low-income families in purchasing their first home. The Administration also encourages the Senate to fully fund the Self-Help Homeownership Opportunities Program, which will help approximately 5,200 low-income families to become new homeowners.

The Administration objects to several Committee actions concerning subsidized housing. First, the Administration is concerned about changes to provisions affecting housing vouchers, and will work with the Committee to ensure that these provisions do not encourage public housing authorities to issue more vouchers than have been either funded or authorized by the Congress. In addition, the bill redirects funds from the large backlog of capital needs to construction of new public housing, although building new public housing is less cost-effective than using flexible housing assistance vouchers and would lead to higher operating subsidy

requirements. The Administration urges the Senate to drop these provisions and include the proposed public housing reinvestment initiative.

The Administration applauds the significant reduction in the HOPE VI program and urges the Senate to redirect these resources to programs such as HOME and the American Dream Downpayment Initiative.

Veterans Affairs (VA)

The Administration appreciates the Committee's support for the critical increase requested in health care services for our Nation's veterans. The Administration also strongly opposes the omission of three key Administration proposals that would save \$927 million and refocus medical care on VA's core population of veterans with special needs, and service-disabled and low-income veterans -- the \$250 annual enrollment fee, the proposed increase in pharmaceutical co-pays (from \$7 to \$15), and allowing VA to conduct competitive sourcing studies. These proposals would help keep in place the current enrollment decision to treat and fully fund all enrolled core veterans and certain other non-core veterans, while allowing VA to meet projected efficiency savings and strengthen management of indirect services. The Administration also strongly objects to the \$1.3 billion in contingent emergency funding provided by the bill for annual veteran's medical care funding, since the enactment of the above Administration proposals would make this level of funding unnecessary. The Administration can accept such increases only if accommodated within the agreed discretionary spending ceiling of \$786.0 billion.

The Administration appreciates the Committee's general support of account restructuring, but is disappointed that it did not accept specific changes that would align VA accounts to the nine major programs administered by the Department to provide transparency in Federal spending. The Administration urges the Senate to accept the proposal to transform the Transitional Housing program into a grant program that would better serve homeless veterans.

Corporation for National and Community Service (CNCS)

The Administration appreciates that the Committee provided funding flexibility for the AmeriCorps programs and sets the expectation that 75,000 members will be enrolled. However, the Administration is strongly opposed to the reduction in CNCS funding, which will allow fewer than 60,000 members to enroll in AmeriCorps, a 20-percent reduction below the 75,000 members supported by the President's request. The Committee also advocates dramatic, harmful reductions to program costs that could not be sustained by AmeriCorps grantees, such as the increased match required in order to cut AmeriCorps' unit cost by 35 percent in a single year.

Further, while the Corporation and its grantees are implementing new management procedures to increase accountability, the Committee reduced funding for program administration and evaluation. The bill also fails to finance other critical activities, such as the President's Council on Service and Civic Participation, research on effective programs and practices, and other agency functions that reinforce communities' nonprofit service delivery infrastructure and help recruit traditional volunteers to serve vital needs in their communities. The funding levels would force staff reductions, reduce grant oversight, and discontinue several promising projects. The Administration strongly urges the Senate to fully fund this Presidential

priority to ensure that the CNCS can fulfill its mission of engaging more Americans in service to help strengthen communities.

Environmental Protection Agency (EPA)

The Administration appreciates the Committee's support for EPA enforcement programs and for the Energy Star program. However, the Administration is very disappointed with the \$126 million reduction to the President's request for Superfund, which would result in fewer Superfund construction starts. Further, the large reduction to the President's request for brownfield cleanups would slow the redevelopment of these properties. These cuts in critical cleanup funding could be restored by reducing the approximately \$150 million in unrequested funding for "targeted" but unspecified grants.

The Administration objects to reductions in core EPA programs, including \$83 million in general reductions that will limit the Agency's basic environmental protection activities and implementation of the Administration's commitment to sound science, and the reduction to the particulate matter program which supports the President's Clear Skies proposal. The Administration also urges the Senate to provide the \$8 million requested for drinking water infrastructure improvements in San Juan, Puerto Rico, where inadequate infrastructure has created a significant health risk to consumers, most of whom are unable to afford the necessary upgrades. In addition, the Administration objects to Committee language blocking promulgation of the pesticide tolerance fee rule and the collection of existing pesticide registration fees. The Committee's actions unnecessarily increase the general taxpayer's burden for these programs.

National Aeronautics and Space Administration (NASA)

The Administration is disappointed that the bill reduces NASA funding by \$130 million below its request. The Administration commends the Committee for fully funding the request for the Space Shuttle and looks forward to working with the Congress as we respond to the report of the Columbia Accident Investigation Board. However, the Administration objects to the Committee's reduction of \$200 million from the request for the International Space Station. After diligently rebuilding reserves to place the Station on sound financial ground, this reduction would deplete reserves deemed critical by independent cost estimates and limit the program's ability to address risks in FY 2004, including impacts from the Columbia accident.

The Administration is also concerned that the Committee bill includes over \$170 million in targeted project funding, which would require reductions of over \$100 million to requested science and technology programs, including \$11 million from the Climate Change Research Initiative, a Presidential priority. One particularly troublesome earmark would provide \$5 million to a university consortium to develop a five-year budget for aeronautics research. Budget development is clearly the purview of the Executive Branch and the Congress and the proposed effort is redundant and unnecessary. The Senate is urged to eliminate its earmarks and restore funding for requested programs.

National Science Foundation (NSF):

The Administration shares the priority the Committee affords basic research and fundamental science in NSF's Research and Related Activities account and applauds the bill's

full funding of the President's National Nanotechnology Initiative and Networking and Information Technology R&D. The Administration is concerned that the Senate bill fails to fully support the President's \$200 million request for the Math and Science Partnerships program and yet provides a \$105 million increase above the request for NSF. The Administration urges the Senate to provide the full request for this program, which will strengthen math and science education for grades K-12 by providing students with enhanced opportunities to perform to high standards.

The Administration is also concerned with language that would earmark new uses of NSF resources, such as the \$30 million within NSF's Major Research Instrumentation program for digital wireless instruction and infrastructure. We urge the elimination of this language that would duplicate efforts at other agencies.

Constitutional Concerns

The Administration objects to a number of provisions in the bill that would purport to require Committee approval before Executive Branch execution. The Administration will interpret these provisions to require only notification of Congress, since any other interpretation would contradict the Supreme Court ruling in *INS v. Chadha*.

Two provisions of the bill authorize the provision of benefits to Native Hawaiians. The Department of Justice advises that there is a substantial, unresolved question whether the Congress has authority to deal with Native Hawaiians as it does with Indian tribes. To the extent the definition of "Native Hawaiian" constitutes a racial, rather than political, classification such programs would be subject to strict scrutiny.
