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

October 23, 2003
(Senate)

STATEMENT OF ADMINISTRATION POLICY

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

S. 1589, The Department of Transportation, Treasury and Related Agencies Appropriations Bill, FY 2004

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

The Administration supports Senate passage of the FY 2004 Departments of Transportation and Treasury and Independent Agencies Appropriations Bill. However, the Administration has several specific concerns and looks forward to working with the Congress as the bill moves through the legislative process.

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.

The Administration is very concerned that the Committee has not included the current law provisions that prohibit the use of Federal funds for abortions in the Federal Employees Health Benefits Program (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. If the final version of the bill does not contain such a provision, the President's senior advisors would recommend that he veto the bill.

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

Civilian Pay and the Human Capital Performance Fund

The Senate is urged to adopt the President's proposal for pay. The 4.1 percent increase proposed by the Committee exceeds the President's request by $2.1 billion, provides a percentage increase that exceeds inflation, the statutory base pay increase, and even exceeds the average increase in private-sector pay, measured by the Employment Cost Index. In addition, the rate at which Federal employees are leaving the government voluntarily is at an all-time low of 1.7 percent per year, well below the overall average rate in private enterprise. A higher across-the-board pay raise would also not allow the Federal Government to target pay raises to attract employees with critical skills and to reward excellent performance.

The Administration is also extremely disappointed that the bill does not fund the President's request for a $500 million Human Capital Performance Fund. The Fund allows a more targeted approach for promoting high performance, which would allow agency managers to provide additional pay raises to high performing employees and employees with the most valuable skills.

Competitive Sourcing

The House version of the bill contains a provision that would effectively shut down the Administration's Competitive Sourcing initiative to fundamentally improve the performance of the government's many commercial activities. The Administration seeks to improve the performance of government services based on the common sense principle of competition -- a proven way of protecting taxpayers' dollars while providing better service and performance enhancements. Now is the wrong time to short-circuit implementation of this principle, especially since numerous agencies are starting to make real progress. Prohibiting the use of the new A-76 Circular to conduct public-private competitions is akin to mandating a monopoly regardless of the impact on services to citizens and the added costs to taxpayers. If the final version of the bill contained such a provision, the President's senior advisers would recommend that he veto the bill.

Department of Transportation (DOT)

The Administration is concerned with the level of funding provided for the Federal highway program. The bill includes $33.8 billion for Federal-aid highways, $4.5 billion more than the President's request. This level of spending would either break dramatically with the tradition of tying highway spending with Highway Trust Fund revenue, or lead to a gas tax increase, which the Administration strongly opposes.

The Administration believes that its request of $900 million is adequate for Amtrak operations, capital, and infrastructure maintenance in FY 2004. The Administration urges the Senate to institute operational and structural reforms, pursuant to the Administration's recently-proposed Amtrak reauthorization bill. The Administration opposes additional funding that would perpetuate the status quo and interfere with these needed reforms.

The Administration is disappointed that the bill does not provide $45 million to support the new DOT headquarters building project. The funding for this project would ensure that the Department has a headquarters building in a superior and less costly facility than would be available to DOT when the current lease expires at the Nassif building. Failure to provide these funds means that DOT may not be able to move into the new facility.

The Senate is urged to follow the House lead and include the $15 million requested by the Administration for the beautification and renewal of Pennsylvania Avenue. This will fund the design and construction of the Pennsylvania Avenue project which enhances security while transforming the area in front of the White House into a public space of which citizens will be proud.

The Administration is opposed to the unrequested $52 million provided for the Payments to Air Carriers program from the Airport and Airway Trust Fund. The Administration will work with the Congress to help address the growing subsidy costs.

Department of the Treasury

The Administration is concerned about the level of funding provided to the Internal Revenue Service (IRS), particularly the proposed reductions in Tax Law Enforcement and Information Systems investments, which will make it more difficult for the IRS to improve the fair enforcement of the tax code. The Administration will continue to work toward the proposed consolidation of the two Treasury offices of Inspector General in the final bill. This consolidation would help ensure that the Inspector General at Treasury can function in a flexible, effective and efficient manner.

Executive Office of the President (EXOP)

The Administration greatly appreciates that the Committee has provided the requested funding for the National Security Council, the Homeland Security Council, the Council of Economic Advisers and many other EXOP offices, projects, and programs. We would appreciate it if the Senate would appropriate these funds in the structure requested.

The Administration continues to support the proposed consolidated appropriation for EXOP. However, the Administration is very concerned that the Committee did not support the transfer authority requested by the Administration. While some economies of scale may be met under the common services pilot project, the transfer authority requested by the Administration would allow EXOP entities the flexibility to address unexpected requirements and needs that may be outside the program.

The Administration urges the Senate to fund the President's request for the National Youth Anti-Drug Media Campaign and the Drug-Free Communities program.

General Services Administration and Electronic Government Fund

The $50 million in unrequested funds provided for construction of the Los Angeles courthouse is not sufficient to pay for any useful segment of this project, which is currently estimated to cost $484 million. The $50 million would only be sufficient to begin construction of this project.

The Administration appreciates the Congress' interest in Electronic Government (E-Gov) and urges the Congress to support the President's $45 million request for this important component of the President's Management Agenda. As has been demonstrated by successes from the modest $5 million invested in each of the last two years (including e-rulemaking, recreation.gov, e-authentication, geodata.gov, e-training, and Firstgov.gov), the E-Gov Fund can bring significant improvements across agencies while reducing the need for each agency to "reinvent the IT wheel."

Other Issues

The Administration urges the Senate to adopt the proposed repeal of the Continued Dumping and Subsidy Offset Act of 2000 that provides payments to private entities from antidumping and countervailing duty collections. This repeal could provide savings to the taxpayer of over $300 million per year. In addition, the Act provides an unwarranted subsidy to entities that already benefit from higher import prices due to the duties.

The Administration is concerned that the Committee did not fund the Electronic Records Archive within the National Archives and Records Administration, which would preserve and provide access to Federal electronic records. The Senate is urged to restore the request of $35.9 million for the systems development phase of this project.

The Administration objects to section 628, which would inappropriately restrict the use of funds to implement Recruitment One-Stop, which provides legally required information on available Federal jobs to millions of Americans every month via the internet. This E-Government initiative is a key component of the President's Management Agenda.

Potential Amendments

The Administration understands that an amendment may be offered on the Senate floor that would weaken current sanctions against the Cuban government. The Administration believes it is vitally important to maintain these sanctions. The function of the travel sanctions is to prevent unlicensed tourism to Cuba that provides economic resources to the Castro regime while doing nothing to help the Cuban people. Sanctions also help ensure that humanitarian and cultural exchanges are genuine, reaching out to the Cuban people and especially to civil society and democracy activists, and not become activities whose main effect is to strengthen the regime. Lifting the sanctions now would provide a helping hand to a desperate and repressive regime, whereas the President's policy calls for reaching out to help the Cuban people. If the final version of the bill were to include such a provision, the President's senior advisors would recommend that he veto the bill.

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 vs. Chadha*.

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