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OFFICE OF MANAGEMENT AND BUDGET
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DATE: 7/22

SUBJECT: FY 1998 Appropriations Letter from Franklin D. Raines, Director

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

July 22, 1997

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on the Department of Defense Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. We appreciate the Subcommittee's decision to fund the National Missile Defense program at the levels recommended in the Quadrennial Defense Review (QDR). Likewise, we appreciate the Subcommittee's fully funding, at requested levels, contingency operations in both Bosnia and Southwestern Asia.

The Administration, however, has serious concerns about certain provisions of the Subcommittee bill. Overall, for the reasons stated below, the Secretary of Defense would join the President's other senior advisers in recommending that the President veto the bill in its current form.

Bosnia Funding Provision

The Administration strongly objects to the provision of the Subcommittee bill that would prohibit funding for U.S. ground operations in Bosnia after a date certain. This provision could jeopardize the safety of our troops and damage our national security interests. It would seriously undermine our commitment to shepherd the Dayton Peace Accords to full implementation and undercut our ability to complete successfully the NATO-led mission in Bosnia. This would result in a serious loss of credibility with our allies, the Bosnian parties, and with other countries participating in the Stabilization Force (SFOR). In addition, the provision contains onerous reporting language that also requests foreign military planning information. Since the President cannot require our allies to publicly divulge their military plans, the reporting requirements could place the President in violation of the law.

B-2 Bombers

The Administration firmly opposes the $331 million increase to the President's request for B-2 production, procurement, and maintenance costs. The Department of Defense concluded in both the Deep Attack Weapons Mix Study and the Quadrennial Defense Review that the costs of procuring more B-2s exceed the benefits. Furthermore, the additional aircraft would incur 20-year life-cycle costs of approximately $20 billion, which would weaken the ability of the Air Force to acquire other urgently needed weapons systems. These resources should be allocated to higher priority requirements.

Overall Spending

Under Subcommittee scoring, the bill provides $248.1 billion in total discretionary funding, exceeding the President's request by $4.8 billion, an amount greater than the increase assumed in the Bipartisan Budget Agreement. Achieving this funding level required a reallocation of funds from Department of Energy programs to Department of Defense (DoD) programs, an action we believe is an unacceptable deviation from our understanding of the Bipartisan Budget Agreement. Moreover, the Subcommittee bill provides funds for unrequested programs not in the DoD Future Years Defense Program (FYDP), at the expense of higher priority programs requested by the Department. We urge the Committee to eliminate funding for programs not anticipated in the Pentagon's long-range plans and restore funding to programs of higher priority.

Increases in Procurement Programs Not in the FYDP

The Subcommittee bill would provide an additional $3.9 billion for procurement programs above the Administration's request. Over $1.5 billion of this increase is for programs not in the FYDP and of questionable value to the Department's overall plans to modernize military forces. These include: an additional $331 million for B-2 Bombers; $230 million for 4 modified C-130J airlift aircraft; $175 million for OH-58D Kiowa Warriors Helicopters; $56 million for modifications to Paladin Self-Propelled Artillery systems for the Army National Guard; and, $40 million for the Field Artillery Ammunition Support Vehicles for the Army National Guard. While we appreciate the flexibility the Subcommittee has provided for allocating the National Guard and Reserve equipment increase, we nonetheless oppose the additional $850 million for National Guard and Reserve equipment that has been added for programs not in the FYDP.

The Administration urges reallocation of these appropriations to support key DoD modernization programs such as the Navy's Arsenal Ship Demonstrator, the next-generation aircraft carrier (CV(X)-78), and advance procurement funding for the second nuclear aircraft carrier refueling overhaul.

Funding Restrictions on Shipbuilding Programs

The Administration is concerned with language of the Subcommittee bill that would place restrictions on spending for a nuclear aircraft carrier refueling overhaul and on DDG-51 destroyers. Such spending restrictions would be disruptive to the proper management of these programs.

Cooperative Threat Reduction Program

The Subcommittee bill would reduce DoD's Cooperative Threat Reduction (CTR) program by $97.5 million from the Administration's request. The CTR program is an important and highly effective means of enhancing U.S. security through eliminating weapons of mass destruction and preventing weapons proliferation. The request of $382.2 million is a bare-bones figure based on a difficult prioritization of a long list of potential projects. The proposed reduction would force DoD to delay several projects in the Former Soviet Union in critical areas such as the destruction of nuclear delivery systems and chemical weapons, improvements to the safety and security of stored nuclear warheads and fissile material, and the cessation of production of weapons-grade plutonium. The Administration urges the Committee to restore appropriations to the requested level.

Dual Use Application Program

The Subcommittee has provided only $100 million of the $225 million requested for the Dual Use Application Program (DUAP). The Administration strongly opposes the Subcommittee's reduction from the requested amount for this high priority program. DUAP is saving money in our most rapidly growing cost category -- operating and support costs -- by inserting commercial technologies in fielded weapons systems and by enabling the Military Departments to take advantage of the commercial innovation cycle and get better technology to the field quickly.

Advanced Concept Technology Demonstration Program

The Subcommittee bill would reduce by $60 million the President's $121 million request for the Advanced Concept Technology Demonstration (ACTD) program. This program supports work on new and innovative defense system concepts and could provide the basis for systems providing a decisive military edge over adversaries in the next century. This reduction would limit the Department's ability to test these new defense systems early in the development phase, when changes to these systems provide the greatest payoff. The Administration urges the Committee to restore funding to the level requested in the President's budget.

Executive Compensation

The Administration does not support the Subcommittee's uniform cap on executive compensation. In lieu of this cap, we urge the Committee to adopt the Administration's February 28, 1997, legislative proposal, which recognizes that contractor executive compensation limitations should reflect pay levels based on industry norms.

Overseas Humanitarian Disaster and Civic Assistance

The Administration objects to the Subcommittee's $25 million cut to DOD's Overseas Humanitarian Disaster and Civic Assistance (OHDACA) account. The Administration requests restoration of funding for the OHDACA account to the President's requested level so that the Department can respond appropriately to unanticipated global emergencies.

Unmanned Aerial Vehicle

The Administration objects to the Subcommittee's termination of the Outrider unmanned aerial vehicle (UAV) program. The Outrider is needed to meet the Joint's Staff's number one UAV requirement – a Tactical UAV. Termination of the Outrider would significantly delay the fielding of any UAV reconnaissance capabilities.

Joint Chiefs of Staff Exercise Program Cuts

The Subcommittee bill recommends sharp reductions to requested funding for the Joint Chiefs of Staff (JCS) exercise program. This program provides for the transportation of U.S. forces to engage in large-scale joint training operations with other U.S. services and allies. The Administration is concerned about the size of the reduction to this program and will work with the Congress to determine the appropriate funding level for JCS exercises as the bill moves through the process.

Restrictions on Presidential Foreign Policy Prerogatives

The Subcommittee bill includes a general provision that would limit the President's flexibility to conduct foreign relations with respect to North Korea (section 8058). Given continuing uncertainty on the Korean Peninsula, such a provision would hinder the President's ability to use all means at his disposal to prevent a disastrous conflict from breaking out. The Administration urges the Committee to delete this provision.

Limitation on Transfer of Defense Articles and Services

Section 8072 of the Subcommittee bill would forbid the use of funds to transfer defense articles or services to another nation or to an organization in connection with international peacekeeping or humanitarian operations, unless the President gives 15 days' advance notice to Congress. The provision, though, includes no waiver for national security emergencies such as providing weapons to troops supporting U.S. forces engaged in hostilities. Because the provision, if read to forbid such action, would intrude on the President's authority as Commander in Chief, the Department of Justice advises that the provision would be construed as inapplicable in such situations.

Joint Air-to-Surface Standoff Missile

The Subcommittee bill would delete all funding and terminate the Joint Air-to-Surface Standoff Missile (JASSM) program in favor of the Joint Standoff Land Attack Missile (SLAM) program. The Joint Requirements Oversight Council (JROC) has repeatedly reviewed the SLAM-Extended Range (ER) and JASSM programs and has found insufficient technical and engineering data on either program that would lead to cancellation. The current Joint Service strategy is to collect data on both weapons to perform an informed, accurate, and timely Analysis of Alternatives to determine which system will provide warfighters with the required effectiveness at the best value. A premature and unsubstantiated decision could later result in a more expensive and less capable weapon.

NATO Joint Surveillance and Target Attack Radar System

The Administration urges the Committee to fund the NATO Joint Surveillance and Target Attack Radar System (JSTARS) program at the level requested in the President's budget. JSTARS aircraft provide real-time surveillance of the battlefield and rear echelons by detecting, identifying, and tracking enemy armor and vehicular traffic and providing their locations for targeting. A reduction to this program could adversely affect a decision by NATO to proceed with the anticipated purchase of the JSTARS aircraft.

We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Jacob J. Lew
Deputy Director

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable C.W. Bill Young,
and The Honorable John P. Murtha

EXECUTIVE OFFICE OF THE PRESIDENT
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WASHINGTON, D.C. 20503

July 22, 1997

THE DIRECTOR

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter provides the Administration's views on the Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. For example, we appreciate the Subcommittee's funding of law enforcement programs in general and the COPS program in particular. Funding COPS at the requested level of $1.4 billion is consistent with the Bipartisan Budget Agreement and would enable us to achieve the goal of hiring 100,000 additional police officers by the year 2000.

As discussed below, the Administration will seek restoration of certain of the Subcommittee's reductions. We recognize that it will not be possible in all cases to attain the Administration's full request and will work with the Committee toward achieving acceptable funding levels. The Administration is committed to working with the Committee to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, funding could be reduced for the Local Law Enforcement Block Grant and the new Juvenile Justice Block Grant. We urge the Committee to reduce funding for lower priority programs, or for programs that would be adequately funded at the requested level, and to redirect funding to programs of higher priority.

The Administration is particularly concerned about the inadequate funding levels provided for the Legal Services Corporation. As is discussed further below, if the bill presented to the President were to contain the levels provided in the Subcommittee bill, his senior advisers would recommend that he veto the bill.

Department of Commerce

- Census Sampling. The Administration strongly opposes the Subcommittee's language that would prohibit any funds from being used for activities related to the design, planning, testing, or implementation of sampling in the 2000 Census, and would further require the passage of an authorization bill prior to the expenditure of more than $100 million for any 2000 decennial planning operations. This represents an unprecedented and unacceptable attempt to micromanage the decennial census. Such restrictions would seriously undermine decennial census planning operations, especially with regard to address list development, procurement, and the 1998 Decennial Dress Rehearsal. The Secretary of Commerce has indicated that he would recommend that the President veto the bill if it were to contain this provision.

  While the Administration will continue to seek congressional input on this important issue, we also remain committed to the use of sampling to ensure the most accurate decennial census possible. Without the limited use of sampling, the accuracy of the census would decrease significantly, especially with regard to children and minority groups that have been traditionally undercounted. The National Academy of Sciences, the General Accounting Office, the Commerce Department Inspector General, and the vast majority of the professional statistical community support the use of sampling in the decennial census.

- National Oceanic and Atmospheric Administration. We are disappointed that the Subcommittee bill would provide only $8 million of the $22 million requested for the President's Clean Water Initiative, which helps protect coastal communities from pollutants. The National Oceanic and Atmospheric Administration (NOAA) is the primary trustee of our Nation's coastal resources and, as such, plays an important role in this initiative. The $22 million initiative builds from NOAA's unique coastal responsibilities and partnerships with States and other Federal Trustee agencies. In addition, we are disappointed that the Subcommittee has not included any funding for the Global Learning and Observations to Benefit the Environment Program (GLOBE). This program was developed to increase understanding of the Earth and has already formed partnerships with over 2,500 U.S. schools and 35 other countries, involving thousands of students across the U.S. and worldwide. The Subcommittee is recommending over $30 million in funding for NOAA activities not requested by the Administration. We strongly urge that a portion of these funds should be redirected to continue the Clean Water Initiative, GLOBE, and other priorities such as fisheries conservation and management.

- National Institute of Standards and Technology (NIST). The Administration greatly appreciates the overall funding level for NIST and the Subcommittee's support of the Bipartisan Budget Agreement. However, we strongly urge the Committee to drop language restricting new Advanced Technology Program awards and to adopt language allowing continued Federal funding for Manufacturing Extension Centers beyond six years, as was passed by the House in H.R. 1274.

- National Information Infrastructure (NII). The Administration urges the Committee to reallocate resources between the NII grants program and the Public Broadcasting Facilities program. The Subcommittee mark substantially reduces funding for the former and provides a large, unrequested increase for the latter. The NII program is meritorious, providing seed money for innovative projects that deploy, use, and evaluate advanced telecommunications and information technology.

Legal Services Corporation

The Administration finds the Subcommittee bill's funding level for the Legal Services Corporation (LSC) unacceptable. The bill would fund the LSC at $141 million, $142 million below the FY 1997 enacted level and $199 million below the President's request of $340 million. The amount that the Subcommittee bill would provide, 65 percent below the FY 1995 level of $400 million, would cripple the program and call into question the Federal Government's commitment to ensuring that all Americans, regardless of income, have access to the judicial system. The Administration strongly urges the Committee to fully fund the President's request. The President's senior advisers would recommend that he veto the bill if it contained the funding level in the Subcommittee bill.

Department of Justice

- Drug Courts and Drug Testing. The Administration is disappointed by the failure of the Subcommittee to provide any of the $45 million requested increase for drug courts. The drug courts program is a proven, cost-effective means of using the coercive power of the courts to move non-violent offenders into drug treatment programs. Also, the President's budget would provide $30 million to offset the costs associated with drug testing State and local arrestees. The Administration is concerned that the Subcommittee does not identify $30 million from the Byrne Grant program for the State and local portion of the drug testing program, as proposed by the President. The drug courts and drug testing programs could be restored to the requested levels by reducing the Subcommittee's funding for the Local Law Enforcement Block Grant program.

- Juvenile Justice Block Grant. The Administration appreciates the Subcommittee's desire to provide additional support for juvenile justice programs. However, the Administration is concerned that the $300 million block grant program may authorize a broad and unfocused range of spending and urges the Committee to target $100 million for the prosecutorial grant program, which is designed to facilitate the cooperation and coordination of prosecutors and police with school officials, probation officers, youth social service professionals, and community members in an effort to reduce the incidence of gang activity and violent juvenile crime. The Administration also urges the Committee to target $50 million for the violent youth court program, which is designed to develop initiatives for use by the courts and court-related entities, such as probation and parole offices and victim/witness centers, to enhance and expedite the handling of youth violence cases.

Department of State

The Administration appreciates the Subcommittee's support for the State Department's accounts that fund diplomatic and consular activities, which would help reverse the erosion of the Department's worldwide operations. We are also pleased that the Subcommittee provided the transfers as requested to support the International Cooperative Administrative Support Services (ICASS) program.

While the Administration welcomes the first-year funding of $100 million for arrears payments, we are deeply concerned about reductions in the funding levels for the FY 1998 annual assessments provided in Contributions to International Organizations and Contributions for International Peacekeeping Activities (CIPA). United States leadership in these organizations on a host of issues of importance to the American people will be compromised if we fail to meet our binding obligations to them. It is important that funding for these activities be protected so that the Administration can pay annual costs, avoid new arrears, and be given some flexibility to address unforeseen needs relating to peace and security around the world. While we appreciate report language that underscores the importance of funding for arrears as part of long-term reform efforts, we are disappointed that the bill does not provide a commitment for three years of arrears funding as allowed by the Budget Resolution and as consistent with the pending authorization bill. The Administration is committed to working with the Committee and the Congress as a whole to resolve these important issues relating to the future of international organizations.

The Administration urges the Committee to strike two provisions that raise Constitutional concerns: section 609, which concerns diplomatic relations with Vietnam, and section 610, which relates to command and control of United Nations peacekeeping efforts. In addition to Constitutional concerns, we believe that the issues raised by these provisions are being addressed in the pending authorization bill in more workable and appropriate ways.

Ounce of Prevention Council

The Administration opposes the Subcommittee's termination of the Ounce of Prevention Council. Elimination of this program would hinder the Federal Government's ability to help neighborhoods implement balanced strategies to reduce crime through enforcement, prevention, and intervention. The Council awards discretionary grants for promising community collaborative crime prevention programs, publishes a catalog of crime prevention grants and programs, and provides information and technical assistance. It plays a critical role in helping communities gain access to information on crime prevention best practices. The Administration strongly urges the Committee to provide funding for the Council and to rescind $1.5 million from the Department of Justice's Working Capital Fund as an offset.

Arms Control and Disarmament Agency

The Administration opposes the Subcommittee mark of $41.5 million for the Arms Control and Disarmament Agency (ACDA), which would severely undercut the Administration's efforts to reduce the threat of nuclear and other weapons to the security of the American people.

Comprehensive Nuclear Test Ban Treaty

On July 17th, a budget amendment for Comprehensive Nuclear Test Ban Treaty requirements was transmitted. The Administration urges the Committee to provide the full revised request for these important national security activities.

Equal Employment Opportunity Commission

The Administration strongly urges the Committee to fully fund the President's request of $246 million for the Equal Employment Opportunity Commission (EEOC) given the importance of its work in addressing unlawful discrimination. The requested level would enable the EEOC to maintain current staffing levels necessary to continue ongoing efforts to reduce the substantial backlog of employment discrimination complaints.

Office of the United States Trade Representative

The Administration appreciates the Subcommittee's increase in funding for, and its past support of, the Office of the United States Trade Representative (USTR). However, USTR requires full funding in order to accomplish the Administration's trade-policy objectives. USTR has had to manage a seven-fold increase in the number of World Trade Organization dispute settlement cases since the the signing of the Uruguay Round Agreement. Despite its substantially increased workload, USTR has virtually the same number of attorneys working in this area as it did in 1990. USTR's work will be even more important in FY 1998 and in future years as the United States seeks to capitalize on new market-opening opportunities and to improve access to existing markets through enforcement actions. We urge the Committee to provide funding for USTR at the requested level of $22.1 million.

Additional Administration concerns with the Subcommittee bill are contained in the enclosure.

Sincerely,

Franklin D. Raines
Director

Enclosure

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, The Honorable Harold Rogers
and the Honorable Alan Mollohan

Enclosure
(House Committee)

ADDITIONAL CONCERNS
DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1998
(AS REPORTED BY THE HOUSE SUBCOMMITTEE)

The Administration looks forward to working with the Congress to address the following additional concerns:

Department of Commerce

- Geostationary Satellites. The Administration is deeply concerned about the Subcommittee's $22 million reduction to the Geostationary Satellites (GOES) program. GOES provide critical data for warnings and forecasts of severe weather events. In order to maintain satellite continuity, particularly given recent technical malfunctions on existing spacecraft, it is imperative that NOAA have sufficient funding to award the contract for the follow-on series of GOES satellites.

- Economic and Statistical Analysis. The Subcommittee mark for Economic and Statistical Analysis (ESA) is insufficient to make necessary improvements to important economic indicators. For the past four years, ESA has been denied funding for improvements to GDP and related regional, national, and international accounts data. In the past, ESA has dealt with funding constraints by eliminating important but non-core activities such as the Pollution Abatement Survey and Regional Economic Projections. ESA cannot sustain the quality of the Nation's basic economic indicators under continued funding constraints.

- Bureau of Export Administration. The Senate has recently passed the Chemical Weapons Convention implementing language, and the House is expected to do so shortly. Therefore, the Administration urges the Committee to provide the full requested level, $2.3 million, to the Bureau of Export Administration (BXA) for this activity. In addition, we urge the House to include seizure and forfeiture authority language for the BXA. This language would allow BXA to become part of the Department of Justice's Assets Forfeiture Fund and is proposed in the Commerce Department's General Provisions in the FY 1998 Budget.

- National Oceanic and Atmospheric Administration. We are concerned about language in the Subcommittee bill detailing the National Oceanic and Atmospheric Administration's (NOAA's) appropriation at the line office level. Many of NOAA's programs involve multiple line offices, and this language would inhibit current synergies among line offices. The Administration requests elimination of this bill language. Also, the Subcommittee Report earmarks NOAA funding on a project-by-project basis. We respectfully request the deletion of these excessive earmarks.

Department of Justice

- Executive Support. The Administration opposes the Subcommittee's action to freeze legislative and public affairs activities at FY 1997 levels throughout the Department. Freezing these activities would inhibit the Department's ability to clear legislation in a timely and responsive manner and constrain its capacity to serve Congress. The Administration urges the House to increase funding for the Executive Support offices and to delete restrictions on the use of detailees.

Department of Transportation

- Maritime Administration (MARAD). The $65 million that the Subcommittee bill would provide for MARAD Operations and Training would be insufficient to continue MARAD's current operations into FY 1998. The Committee is urged to provide no less than the $69 million contained in the Senate bill. In addition, the $3.45 million that would be provided for Title XI administrative expenses might result in a reduction in personnel that would jeopardize the effective oversight and management of Title XI projects. The Committee is urged to restore funding for this activity.

Federal Communications Commission

- Relocation. The Subcommittee bill provides no funds in support of the Federal Communications Commission's (FCC's) scheduled move to the Portals complex. Failure to provide these funds would delay the move, which could result in the Government unnecessarily paying for rent on an unoccupied building. The Administration urges the Committee to provide the $30 million required for the FCC move in FY 1998.

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WASHINGTON, D.C. 20503

July 22, 1997

THE DIRECTOR

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U. S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter provides the Administration's views on the Department of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill, FY 1998, as reported by the Subcommittee. As the Committee develops its version of the bill, your consideration of the Administration's views would be appreciated.

The Subcommittee has developed a bill that provides requested funding for many of the Administration's priorities. We are pleased that the Subcommittee has fully funded Bilingual and Immigrant Education, School to Work, Head Start, Technology Literacy Challenge, 21st Century Community Learning Centers, the targeted portion of the Title I formula, and education statistics and assessment. The Administration is also pleased that the Subcommittee has limited the number of appropriations riders consistent with the terms of the Bipartisan Budget Agreement. The Full Committee is urged to continue this practice. However, as discussed below, the Administration will seek restoration of certain of the Subcommittee's reductions.

The Administration is committed to working with the Committee to identify reductions in the bill in order to find offsets for the restoration of funds that the Administration seeks. For example, the Subcommittee bill provides nearly $1 billion more than the President has requested for more than two dozen authorities in the Department of Education, while cutting the President's request by over $1 billion. We strongly urge the Committee to reduce funding for lower priority programs, or for programs that would be adequately funded at the requested level, and to redirect funding to programs of higher priority, particularly those contained in the Bipartisan Budget Agreement as noted below.

Department of Education

The Administration appreciates the Subcommittee's efforts to provide substantial new funding for education activities, at an overall level generally consistent with the Bipartisan Budget Agreement protection of Function 500. Unfortunately, the Subcommittee has failed to provide the $260 million necessary for the President's America Reads Challenge in the Department of Education, and the bill provides only $10 million of the $42 million requested for America Reads in the portion of the Corporation for National and Community Service budget funded by this bill. The Subcommittee has provided advance funding for America Reads to the

Department of Education for FY 1999, pending new authorization, which would produce a full year's delay in getting needed reading assistance to millions of children. The Bipartisan Budget Agreement specifically calls for funding a literacy program, "with the goals and concepts of the President's America Reads program" at the levels proposed in the President's FY 1998 Budget. America Reads is one of the Administration's highest funding priorities. The Administration believes that the full funding should be restored to both the Department of Education and the Corporation for National and Community Service for FY 1998.

The Administration is working closely with the authorizing committees to develop legislation effective for FY 1998. There is ample time to enact legislation, as needed, by April 1 for a program that would begin on July 1, in time for summer activities and the 1998 - 1999 school year.

The Bipartisan Budget Agreement calls for a $1.7 billion increase over FY 1997 for Pell grants, to support both a $3,000 maximum award and expanded eligibility for independent students. The Subcommittee bill underfunds the independent student policy by $197 million, contingent on authorization during the year. The Administration is proposing to aid independent students in the Higher Education Act reauthorization proposal, but based on information from the authorizing committees, the Administration cannot expect the Act to be reauthorized in time to make FY 1998 awards. Rather than withhold this benefit from independent students, the Administration proposes that the appropriation act include one year of authority while the reauthorization process is completed. This authorization is no different from the Committee's annual procedure of authorizing the maximum Pell grant award. In accordance with the terms of the Bipartisan Budget Agreement, we urge the Committee to fully fund Pell grants and to authorize both the maximum award and the independent student change.

The Subcommittee bill funds Education Reform at $1.13 billion, $110 million below the level assumed under the Bipartisan Budget Agreement. Within the total, GOALS 2000 is funded at only $475 million, $145 million below the request. GOALS 2000 funds provide essential support to virtually every State's education improvement strategy. We strongly urge the Committee to restore full funding for GOALS 2000.

We appreciate the Subcommittee's support for development of voluntary national tests for 4th grade reading and 8th grade math. We support the bill's requirement that the Department of Education contract with the National Academy of Sciences to conduct a study and report on the testing initiative. We are seriously concerned, however, that the bill fails to provide adequate FY 1998 funding for development of the tests within the Fund for the Improvement of Education. The Administration urges the Committee to provide the funds necessary for this important national effort to make sure our students are mastering the basics and meeting challenging standards in reading and math.

A number of other high priority Education programs are funded significantly below the President's request. These include Adult Education, Safe and Drug-Free Schools, Eisenhower Professional Development, and Charter Schools. We urge the Committee to fully fund these activities at the levels requested in the President's FY 1998 Budget.

Department of Health and Human Services

The Administration is deeply concerned that the Subcommittee has failed to provide $21 million for the Administration's new Adoption Initiative. The goal of this program is to double the number of children adopted or permanently placed outside of child welfare systems by FY 2002. The additional investment is small compared to the potential rewards of placing children in supportive and loving homes. The Administration strongly urges the Committee to fully fund this urgently-needed program at the President's requested level..

We understand that an amendment may be offered in Full Committee that would expand the current "Hyde Amendment" prohibition on Medicaid payment for abortion services to include a prohibition on the purchase of health benefit coverage that includes abortion. The President believes that abortion should be safe, legal, and rare. We believe that the amendment could curtail the availability of State-only and privately funded abortion services. Most States purchase health coverage for Medicaid beneficiaries from managed care organizations (MCOs). Under this amendment, States may be prohibited from contracting with MCOs that offer abortion services to any woman. This provision could limit States' ability to negotiate contracts with providers, limiting access to quality care for Medicaid beneficiaries. This prohibition could also limit States' flexibility to purchase abortion services with their own funds and may even have the effect of causing MCOs to drop all coverage of abortion services for women with private health insurance so the MCO may continue to participate in the Medicaid program. The Administration opposes this attempt to constrain further the availability of abortion services and strongly urges Congress not to adopt this amendment.

The House Subcommittee has not provided funding for the Medicare Transaction System (MTS), noting criticisms of the MTS design. The President's $89 million request would fund consolidation of HCFA's current contractor systems, which needs to occur prior to, and independent of, final resolution of MTS design issues. The Subcommittee also notes that funding for the Medicare Integrity Program, established by the Kassebaum-Kennedy legislation, could be used to fund MTS. We believe that using Medicare Integrity Program funding for this purpose would be inappropriate since it was established specifically to combat fraud and abuse. The Administration urges the Committee to restore funding to the requested level to the extent possible.

The Administration is pleased that the Subcommittee has provided the requested increase of $40 million over FY 1997 for Ryan White AIDS Treatment Grants, and an additional $132 million to help States purchase drugs. However, the Subcommittee has not allocated the $40 million increase among the Titles of the Ryan White CARE Act toward primary care as proposed in the FY 1998 Budget. The Administration's proposed allocation targets additional resources to those Titles that emphasize the delivery of primary care, a particularly important priority now that the prospects for medical care for people infected with HIV have improved dramatically. The Administration looks forward to working with Congress to ensure that the resources provided to the Ryan White AIDS Treatment Grants are distributed consistent with the priorities placed on primary care in the President's budget.

The Administration is concerned that the Subcommittee bill does not appropriate a specific amount for AIDS research through a single appropriation for the National Institutes of Health's (NIH's) Office of AIDS Research as requested in the President's budget. The single appropriation would help NIH plan and target NIH research funds effectively, minimizing duplication and inefficiencies across the 21 institutes and centers that carry out HIV/AIDS research

The Administration is concerned that the Subcommittee has not provided the full increase requested for HIV prevention programs of the Center for Disease Control and Prevention. The Budget proposes a $17 million increase for this activity to target HIV prevention for intravenous drug users at risk of developing the virus. The Administration urges the Committee to provide the full requested amount to the extent possible.

Department of Labor

The Bipartisan Budget Agreement specifies funding at the levels proposed in the President's budget for Training and Employment Services, including Job Corps. The Subcommittee mark provides the Administration's request for low-income youth and adult training programs, dislocated workers, and the Job Corps. However, in order to be consistent with the Agreement, we urge the Committee to provide an additional $233 million to fully fund the request for new and existing TES programs in FY 1998. The Subcommittee has provided $100 million in FY 1999 for the Youth Opportunity Area proposal subject to passage of authorizing legislation. This program may be carried out under existing legislation, and a separate authorization is not necessary. The Committee is urged to provide resources for this initiative in FY 1998 without the restriction provided by the Subcommittee.

The Administration appreciates the Subcommittee's allocation of $200 million to help finance the year 2000 conversion of State UI systems. However, the Subcommittee has failed to provide $89 million for spending on UI "integrity" initiatives (e.g., increased eligibility reviews, tax audits). This spending is explicitly assumed in the Bipartisan Budget Agreement, and would over five years, achieve $763 million in mandatory savings assumed in the Agreement. The Full Committee is urged to provide this increase.

Social Security Administration

The Subcommittee has provided $245 million for additional Continuing Disability Review (CDR) funding and SSI reforms implementation, $45 million less than the President's request. The pending reconciliation bill contains a provision that would provide authority for a

$290 million upward cap adjustment ($45 million more than current law) to the non-defense discretionary spending caps for funding provided by the Subcommittee for additional CDRs. This is consistent with the President's request. Failure to provide the additional funds means some 15 percent fewer individuals will have their status reviewed in FY 1998, potentially costing hundreds of millions of dollars in benefits to individuals who would have been found no longer eligible. We urge the Committee to provide the additional $45 million.

The Subcommittee has included language to authorize increases to the fee States pay SSA for administering State payments that are supplemental to SSI benefits, and provide for such funds to be available, subject to appropriations action, upon collection for SSA administrative expenses. This provision is consistent with the Bipartisan Budget Agreement, and the Administration commends the Subcommittee's actions.

Additional Administration concerns with the Subcommittee bill are contained in the enclosure. We look forward to working with the Committee to address our mutual concerns.

Sincerely,

Franklin D. Raines
Director

Enclosure

Identical Letter Sent to The Honorable Bob Livingston,
The Honorable David R. Obey, and The Honorable John E. Porter

Enclosure
(House Committee)

ADDITIONAL CONCERNS
DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 1998
(AS REPORTED BY THE HOUSE SUBCOMMITTEE)

The Administration looks forward to working with the Congress to address the following concerns.

All Agencies Covered by the Bill

- Operating Plans. The Subcommittee report calls for all agencies covered in the bill to provide to the Subcommittee "operating plans" for appropriations. We are prepared to work with the Subcommittee to discuss the purpose of this request and determine how to address it.

Department of Health and Human Services

- Welfare Research. The Subcommittee has rescinded $21 million in mandatory research funds. The President's request assumes $18 million in discretionary and $21 million in mandatory welfare research funds, for a total of $39 million. The Subcommittee has provided only $26 million in Administration for Children and Families and Assistant Secretary for Planning and Evaluation. In order to gauge the effects of welfare reform, research is needed now more than ever. The Administration urges the Committee to drop the rescission and to fund welfare research at the President's requested level.

- Community Schools: Violent Crime Reduction. While the Administration supports the Subcommittee's funding of Violence Against Women Act programs, the Subcommittee has provided no funding for the Community Schools program within the Violent Crime Reduction Programs account or for the Community-Based Resource Centers and Developmental Disabilities Special Projects activities. We urge the Committee to restore funding for these programs.

- Aging Services Programs. Within the Administration on Aging, the Subcommittee has provided no funding for certain Aging Services Programs, including Preventative Health Maintenance, Alzheimer's Initiative, and Research, Training, and Discretionary activities. These important programs provide critical resources for the elderly.

- Medicare Survey and Certification User Fees. The President's budget proposes total funding of $158 million for the surveys and certification program, $148 million in budget authority and $10 million in user fees. The Subcommittee has provided $148 million in budget authority which is $10 million below the President's request. On March 27, 1997, the Administration transmitted legislation to Congress for the authorization of $10 million in new survey and certification user fees. The Administration believes that health care providers who derive considerable benefit from the Medicare program should fund the cost of conducting initial surveys required for entry into the program. We urge Congress to enact the Administration's survey and certification user fee proposal and to fully fund the President's request for this activity.

- Hansen's Disease. The bill includes language that would transfer HHS's Hansen Disease treatment facility at Carville, Louisiana, to the State of Louisiana. The Administration supports this transfer, but objects to how the language transfers property to the State of Louisiana and how it handles personnel issues. We believe that the General Services Administration, the Federal government's property asset manager, should handle the transfer as authorized in the Federal Property and Administrative Services Act of 1949. In addition, the Administration strongly opposes those provisions pertaining to the computation of employee annuities and disability retirement benefits. The Administration urges the Committee to delete these provisions. There are a variety of ways to ensure the well-being of and retirement benefits for these employees, and the Administration wants to work with the Committee to draft language that is consistent with current law.

- Additional Health Concerns. The Administration is concerned that the Subcommittee has not provided the full request for the Office of Emergency Preparedness, HRSA Organ Transplantation, the Office of Civil Rights, CDC's National Center for Health Statistics, and SAMHSA Data Collection activities. To the extent possible, we urge that the requested funding level be provided.

Department of Labor

- Worker Protection and Enforcement Funding. The Subcommittee has provided $981 million, an increase of $32 million over the FY 1997 enacted level for the Department of Labor workplace protection programs, about half of the proposed increase. The independent National Labor Relations Board was frozen, a cut of $11 million below the request. The Administration urges the Full Committee to enact the Administration's request for these programs. Without the requested increases, the Department will not be able to carry out a balanced program of targeted enforcement with expanded partnerships and compliance assistance in the regulated community, or streamline its operations to provide assistance to small businesses in complying with various workplace laws and related executive orders, such as the systems and technical assistance improvements, requested for the Office of Federal Contract Compliance.

Social Security Administration

- Official Time. Language of the Subcommittee bill would bar the expenditure of trust fund money for employees who conduct union activities on official time. Paying for such expenses is consistent with both Federal law and SSA's collective bargaining agreements. Restricting certain funding sources from paying for this activity would unfairly shift costs to the general fund and not reduce the amount of Federal funds expended on this legitimate activity. This limitation should be stricken from the bill.

Railroad Retirement Board

- Inspector General. The Subcommittee has included language prohibiting the use of any funds other than those in the Inspector General (IG) account for the provision of supplies, space, and services by other offices of the Railroad Retirement Board (RRB) to the IG. The language should be stricken from the bill. The Administration believes that the current means of financing centralized services provided to the IG is consistent with the provisions of the IG Act and that the RRB should not be singled out in this respect. The administration also notes that, once the amount specified in report language related to these support services is factored into the total for the IG, the Subcommittee would effectively reduce the IG budget by 17 percent from the FY 1997 enacted level. The President's request is for level funding; the Subcommittee's reduction is excessive.