



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

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(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2354 – Energy and Water Development and Related Agencies

Appropriations Act, 2012

(Sen. Inouye, D-HI)

The health of the Nation's economy depends on taking action now to create the conditions for the economy to grow, businesses to hire, and the middle class to feel secure. In the long run, the Nation's prosperity also depends on the ability of the Congress to put the Nation on a sustainable fiscal course while making the investments the Nation needs to compete and win in the global economy. That is why the President has put forward a balanced plan to jumpstart economic growth and job creation now – and to lay the foundation for continued growth by achieving more than \$4 trillion in deficit reduction over the next 10 years. This bill invests in areas important to the Nation's ability to grow and compete in the global economy while broadly sharing sacrifices to reduce the deficit.

Division 1 – Energy and Water Development and Related Agencies

The Administration urges the Senate to ensure that United States has the resources necessary to help the Nation thrive and compete in the future. A strong energy sector requires investment in innovation and clean energy technologies, access to clean water and outdoor recreational opportunities, and support for job creating measures like renewable energy projects and technologies.

Department of Energy (DOE)

Clean Energy Research and Development (R&D). The Administration strongly urges the Senate to provide \$1.95 billion for Energy Efficiency and Renewable Energy programs and at least \$300 million for the Advanced Research Projects Agency-Energy, both of which are critical to implementing the Administration's goals of transforming the Nation's economy to support clean energy jobs and improving U.S. energy security. These investments will help improve U.S. competitiveness in advanced manufacturing and in emerging technologies such as electric vehicles and batteries, biofuels, energy efficient systems for buildings, solar energy, and offshore wind power.

Innovation and R&D. The Administration strongly urges the Senate to provide \$4.95 billion for the Office of Science to maintain its critical investment in America's innovation future. Inadequate funding places fundamental research at risk in areas of science that underpin clean energy technologies and can spur innovation. Inadequate funding levels will not allow optimum utilization of DOE research assets, hampering the development of the next generation of technologies and manufacturing for use in the automobile, semiconductor, pharmaceutical, and numerous other industries.

Energy Information Administration (EIA). The Administration appreciates Senate support and

urges the Senate to provide at least \$105 million so that EIA can continue to provide independent and rigorous analysis of America's energy needs.

Loan Guarantee Program. The Administration appreciates that the Senate bill supports the loan guarantee program. The Senate level of \$200 million would support an estimated \$1 billion to \$2 billion in loan guarantees for innovative renewable energy and energy efficiency projects. The Administration urges the Senate to include funds for a new Better Building Pilot Loan Guarantee Program proposed in the President's FY 2012 Budget and additional loan volume authority for nuclear power projects. These programs are an important part of the Nation's efforts to deploy innovative clean energy technologies.

National Nuclear Security Administration (NNSA)

Weapons Activities and Defense Nuclear Nonproliferation. The Administration urges the Senate to support robust funding for NNSA to continue the commitment to modernize the nuclear weapons complex and upgrade the stockpile set forth in the Nuclear Posture Review and reaffirmed as part of the New Strategic Arms Reduction Treaty ratification process. In addition, at a time when a grave danger is posed by the proliferation of nuclear materials that can fall into the hands of terrorist organizations, the Administration appreciates Senate support for highly enriched uranium (HEU) reactor conversions and increased security for HEU and plutonium as high-priority elements of the global effort to lock down nuclear materials.

Corps of Engineers (Corps)

Corps Funding. The Administration is concerned with the Senate funding level for the Corps, which is \$233 million above the President's FY 2012 Budget. The additional funding could be redirected toward higher-priority needs and programs that have a greater potential for results in a time of scarce resources. In addition, the Administration is concerned that in the allocation of funds, the bill would preclude funding for the limited number of priority new starts in the President's FY 2012 Budget, including an important new program to reverse damage to the coastal Louisiana ecosystem and a study called for by the Congress to examine flood risks nationwide in order to improve existing programs.

Disaster Relief Funding. Consistent with past practice, the Administration supports providing additional funding to repair Federal flood control and other infrastructure damaged by natural disasters. The Administration will work with the Congress as the Corps verifies the funding level that is necessary to accomplish this work and that is appropriately designated for a disaster relief cap adjustment under section 251 of the Budget Control Act.

Department of the Interior, Bureau of Reclamation

Overall Bureau of Reclamation Funding. The Administration believes the \$20 million in funding above the President's FY 2012 Budget is unnecessary. These funds could be redirected toward higher priority needs and programs that have a greater potential for results in a time of scarce resources.

Division 2 – Financial Services and General Government

The Administration urges the Senate to provide the resources necessary to fund core Government functions as well as implement the Affordable Care Act (ACA) and the Dodd-Frank Wall Street

Reform and Consumer Protection Act. Through reforms to cut waste, reduce errors, and boost quality, the ACA will reduce the deficit by hundreds of billions of dollars, while ensuring that quality, affordable coverage is available for all Americans. The Dodd-Frank Act contains essential measures to crack down on abuses in the mortgage industry, make financial contracts simpler, end hidden fees, and provide clear and concise information to borrowers about the obligations they are undertaking.

Department of the Treasury

Internal Revenue Service (IRS)–Tax Enforcement. The Administration strongly supports increased funding for IRS tax enforcement, compliance, and service activities above the Senate bill level. The reductions in the Senate bill will lead to the loss of at least \$3.5 billion in Federal revenue, as well as reductions of approximately 4,000 in staff. The Administration strongly encourages the Senate to adopt the Administration's proposed IRS program integrity allocation adjustment in the bill or find another means to support increased IRS funding. Tax enforcement and compliance activities typically return \$7 or more on each taxpayer dollar spent.

IRS–Affordable Care Act (ACA). The Administration strongly supports full funding for the IRS to meet its ACA implementation responsibilities, including standing up critical systems to support Affordable Insurance Exchanges.

Departmental Operations. The Administration supports the Senate funding level of \$306 million for Departmental Offices (DO), including its retention of Terrorism and Financial Intelligence program funding within the DO account. The overall DO funding level supports the Department of the Treasury's ability to implement priority programs, including tax and regulatory reform.

Community Development Financial Institutions (CDFI) Fund. The Administration appreciates the \$200 million for CDFI, including the support for Administration initiatives, such as the Healthy Food Financing Initiative that will increase the availability of affordable, healthy food outlets in underserved urban and rural communities that lack adequate access to healthy food.

Office of Personnel and Management (OPM)

New Statutory Responsibilities. The funding level provided by the bill would limit OPM's ability to implement and administer new statutory responsibilities.

Executive Office of the President

Partnership Fund for Program Integrity Innovation. The Administration urges the Senate to sustain the Partnership Fund for Program Integrity Innovation by extending the period of availability for the existing program funds. This extension would enable continued collaboration with States and other stakeholders to launch additional pilots designed to find promising ways to save taxpayer funds across Government programs by cutting improper payments and streamlining program administration.

Integrated, Efficient, and Effective Uses of Information Technology (IEEUIT). The Administration urges the Senate to provide additional funding for this initiative. IEEUIT will increase the potential for future savings achievable through broader support to agency plans for cloud computing and data center consolidation, and a more rigorous IT investment oversight

process.

General Services Administration

Federal Buildings Fund (FBF). The Administration commends the Senate for fully funding FBF operating costs – including rental of space, buildings operations, and installment acquisition. While the Administration appreciates Senate funding of \$65 million for capital investment, the Administration is concerned that the bill would, for the second year in a row, provide insufficient resources to address needed repairs and alterations, and urges the Senate to include additional funding for these purposes.

Integrated Acquisition Environment. The Administration urges the Senate to provide funding for the Integrated Acquisition Environment, which would increase procurement data quality and system functionality while reducing costs and burden for both the Federal Government and businesses working with or seeking to work with the Federal Government.

Electronic Government. The Administration recommends that the Senate not combine the E-Government and the Federal Citizen Services Fund and that the Senate provide adequate funding to continue with initiatives that enhance transparency and oversight into Government spending, and yield a high return on investment through cost saving efficiencies. The E-Government Fund has yielded billions in cost savings and cost avoidance over the last two years. Combining the E-Government and Federal Citizen Services funds would introduce a level of uncertainty around how the funds would be allocated given the differing mandates of the funds. Furthermore, a new fund would not be subject to the Electronic Government Act of 2002.

Other Independent Agencies

Securities and Exchange Commission (SEC). The Administration strongly supports funding for the SEC at the Senate bill level of \$1.4 billion, which will enable the SEC to carry out without delay its increased responsibilities for registration, oversight, and enforcement within the securities marketplace.

Commodity Futures Trading Commission (CFTC). The Administration strongly supports the Senate level of \$240 million for CFTC. This funding level will better enable CFTC to provide the necessary oversight of the futures and swaps marketplace in a timely and effective manner. Moreover, the Administration strongly supports the Senate bill's provision of \$66 million for major IT system investments, which are essential to CFTC's oversight and clearing responsibilities as mandated by the Dodd-Frank Act.

Federal Communications Commission (FCC). The Administration supports the Senate funding level and terms provided to the FCC, which would be fully paid for through fee collections and will allow the FCC to protect an open Internet and fulfill its other missions. The Administration supports a free and open Internet that fosters investment, innovation, consumer choice and free speech, and is committed to ensuring that the Internet continues as an open platform for productivity, growth, and innovation.

Small Business Administration (SBA). The Administration urges the Senate to provide funding for SBA's Emerging Leaders Program and Entrepreneurial Development Initiative to support well-targeted business-led economic growth and job creation.

Election Assistance Commission (EAC). The Administration supports funding EAC at the requested level of \$14 million to maintain the Commission's ability to fulfill its statutorily required duties and protect the integrity of elections.

Bill-Wide Provisions

Cuba. The Administration opposes, as written, section 624 in the Senate Committee bill, but supports its intent to reduce financial fees that may currently be assessed on transactions related to U.S. exports of goods pursuant to the Trade Sanctions Reform and Export Enhancement Act of 2000. The Administration would not oppose section 624 if certain technical corrections are made.

Transfers for E-Government Initiatives. The Administration supports amending section 732 of the Senate bill to allow inter-agency transfers of funds for E-Government initiatives 15 days after notification of House and Senate Appropriations Committees for continuing initiatives (30 days after notification for new E-Government initiatives), without the requirement for prior approval of the appropriations committees. The business process for E-Government initiatives would be facilitated by allowing individual appropriations bills to address this issue where it may be a concern, without imposing conditions for prior approval across all Executive Branch agencies.

Contracting Closely Associated Government Functions. The Administration opposes section 741 of the Senate bill, which would require civilian agencies to ensure, to the maximum extent practicable, that contracts do not include functions that are closely associated with inherently governmental functions. Agencies should not be expected to stop using contractors to perform these functions, as long as the agency is giving adequate management attention to ensure contractors are not impinging on the agency's inherently governmental responsibilities. The proposed requirement to collect "cost data" should also be stricken as it would be unnecessarily burdensome on contractors without commensurate benefit.

Division 3 – State, Foreign Operations, and Related Programs

The Senate bill for State, Foreign Operations, and Related Programs supports vital, bipartisan efforts aimed at the root causes of instability and insecurity in fragile and failing countries around the world. It protects key priorities while making difficult choices, such as adopting proposals in the President's FY 2012 Budget to reduce assistance to countries in Europe and Central Asia with lesser need. By contrast, the Administration would strongly oppose measures that undermine needed funding for civilian engagement in support of critical U.S. interests around the world.

Overseas Contingency Operations (OCO). The Administration appreciates the support for OCO funding in the Senate bill, which is essential to achieving the Administration's foreign policy and national security priorities in the frontline states. While funding for these programs is increasing at the Department of State, the increases are more than offset by over \$40 billion in decreases to Department of Defense OCO, as operations transition from military to civilian leadership. The Senate is urged to adequately fund both base and OCO funding for the missions in Iraq, Afghanistan, and Pakistan.

Iraq. While the Administration appreciates congressional support for assistance and operations in Iraq, the Administration is concerned about the reductions to the request for Department of

State operations and assistance programs in the Senate bill. The Administration's request for economic and security assistance is necessary to sustain the Administration's transition plans, and reductions will slow needed capacity-building programs for Iraqi Ministries, particularly for training programs for the Iraq police. The Administration is also concerned about the \$570 million combined OCO and base reduction (minus 15 percent) for Diplomatic and Consular Programs in the Senate bill. A reduction of this magnitude would eliminate the flexibility necessary during a key transition period for the U.S. presence in Iraq.

Global Health, Food Security, and Global Climate Change Initiatives. The Administration commends the Senate bill's essential provisions for global health, food security, and climate change.

Economic Support Fund (ESF). The Administration is concerned that the \$388 million provided by the Senate could result in dramatic reductions to country assistance levels. In addition, the Administration opposes the Senate rescission of \$150 million of unexpended balances. Following the \$120 million rescission in FY 2011, an additional rescission could require deobligating funds committed to countries and programs, harming the Government's objectives in and relations with those countries. In particular, at a time when ESF funds are central to the U.S. response to the Arab Awakening, these cuts and rescissions will impact State and United States Agency for International Development's ability to respond to rapid developments in the Middle East.

Emergency Refugee and Migration Assistance (ERMA) Fund. The Administration opposes the Senate bill's elimination of a separate appropriation to support the ERMA Fund. The Fund provides the President with a flexible tool to meet unexpected urgent refugee and migration needs on such terms and conditions as the President may determine. Action by the President to utilize ERMA funds can leverage other donations on behalf of humanitarian emergencies by providing a separate funding mechanism used only to respond to emergent crises.

Treasury Multilateral Development Banks (MDBs). The Administration appreciates the Senate Committee bill's \$2.1 billion for MDBs, fully funding three of four General Capital Increase (GCI) installments and U.S. commitments to multilateral debt relief, while meeting a sizable portion of replenishment commitments to the concessional windows. The Administration also appreciates the Senate bill's inclusion of needed authorization language for all requested GCIs and replenishments. However, the Administration is concerned about funding shortfalls for the African Development Fund and the Inter-American Development Bank and would like to work with the Committees to find a solution.

Language Provisions. The Administration appreciates that the Senate bill includes appropriations language that is needed to carry out key foreign policy objectives. This includes authority to support the Arab Awakening, which would authorize Egyptian debt swaps, Tunisian loan guarantees, and new enterprise funds. The Senate bill also authorizes critically needed general capital increases for three multilateral development banks and lifting the cap on U.S. contributions to United Nations peacekeeping, consistent with the contribution level in prior years. Further, the Senate bill includes language relating to State Department management that would allow a new maintenance cost sharing program to address the Department's large overseas maintenance backlog and continue collection of fees under the Western Hemisphere Travel Initiative. All of these provisions need to be included in a final bill.

However, the Administration opposes several significant changes in the bill's certification and

reporting requirements and requests a more workable solution to these requirements. The Administration will also work with the Congress to explore opportunities where increased transfer authority will provide flexibility to manage this constrained resource level.

Constitutional Concerns

Numerous provisions of the Senate bill, including sections 7013, 7029, 7032, 7035, 7039, 7047, 7048, 7061, 7062, 7065, 7069, 7070, and 7073, could infringe upon the President's constitutional authority over foreign affairs by interfering with his conduct of foreign diplomacy and interactions with foreign diplomats. In addition, section 7046(a) of the Senate bill would infringe upon the President's authority as Commander in Chief and over the conduct of foreign diplomacy by restricting his ability to place U.S. forces under the command of a foreign national in certain circumstances. The Administration urges that these provisions be made advisory rather than mandatory. Section 7093(c)(3) of the Senate bill also raises constitutional concerns by potentially requiring the disclosure to the Congress of diplomatic communications and other sensitive information relating to national security and foreign affairs. If any of the provisions discussed above are enacted in their present form, the Administration will apply them in a manner consistent with the President's constitutional authorities.

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