

November 28, 2001
(House)

**H.R. 3338 - DEPARTMENT OF DEFENSE
APPROPRIATIONS BILL, FY 2002**
(Reps. Young (R) Florida; Lewis (R) California)

This Statement of Administration Policy provides the Administration's views on the Department of Defense Appropriations Bill, FY 2002, as reported by the House Appropriations Committee.

The Administration strongly supports passage of this bill. The Administration appreciates the effort that the Committee has made to produce a bill in line with the Administration's defense and emergency priorities and that the Committee has maintained funding within agreed upon levels. We look forward to working with the Congress to ensure that the program and policy content of each of the thirteen appropriations bills is within the agreed upon bipartisan spending level of \$686 billion and that the emergency supplemental funding total remains within the agreed upon level enacted in P.L. 107-38, the FY 2001 Emergency Supplemental Appropriations Act for Recovery from the Tragedy that Occurred on September 11, 2001. The President's senior advisors would recommend that the President veto any bill that provides discretionary spending beyond these agreed upon levels.

Our specific comments on this bill are noted below.

FY 2002 Emergency Response Fund

Department of Defense

The Administration appreciates the Committee's support of the requested funding for the Department of Defense (DOD). However, we are concerned that the House Report would place burdensome restrictions on DOD's flexibility to address emerging funding requirements as we prosecute the war on terrorism by subjecting DOD to traditional reprogramming procedures. We look forward to working with the House to address their concerns as the bill moves forward.

Federal Emergency Management Agency (FEMA)

The Administration, like the Congress, is committed to providing assistance to our Nation's first responders -- the first on the scene in the event of a terrorist attack or other disaster -- in as efficient a manner as possible. However, the Administration objects to the House's decision to eliminate the \$550 million requested for FEMA for equipment and training for State and local emergency response personnel. Due to FEMA's close working relationship with emergency response personnel and its experience in managing disaster mitigation programs, this program should be funded in FEMA, rather than in the Department of Justice, as the House bill proposes. The Administration has serious reservations about the \$150 million reduction in grant funding, the \$69.8 million in unrequested Justice earmarks for this program, and the \$65 million in funds provided for FEMA activities that do not support the efforts of the Office of National Preparedness (ONP), as these actions will diminish the Administration's terrorism preparedness efforts.

We also object to the House's decision to eliminate the \$50 million requested for FEMA's ONP. The President has designated the ONP to coordinate all Federal consequence management programs involving weapons of mass destruction and to work closely with State and local governments to ensure their planning, training, and equipment needs are addressed. This decision could compromise the President's management of this effort.

Department of Transportation

The Administration requests that the House fully fund the \$300 million requested for aircraft changes needed to increase aircraft security, including fortified cockpit doors, transponder changes, and video surveillance. Deployment is expected to commence much sooner than envisioned by the Committee.

The Administration strongly encourages the House to provide the requested \$203 million for the Coast Guard. The Coast Guard has mounted a significant response to threats to homeland security and has redeployed many of its resources to provide increased security at the Nation's ports. To accommodate this surge of port security operations, the Coast Guard needs funding for additional fuel and spare parts, 2,700 reservists called up to augment regular forces, and to keep assets operating that were previously scheduled to be removed from service. The funding level provided by the Committee is insufficient to meet these needs.

Executive Office of the President (EOP)

The Administration is extremely concerned that the Committee provided none of the requested \$50 million, which is critically needed to ensure the safety, support and service to the President and Vice President of the United States and to strengthen protection of the more than 2,000 men and women who work within the White House Complex. The funds will enable the EOP to meet additional security requirements, including installing emergency response and notification systems, completing move-related activity associated with the forced relocation of staff from the Eisenhower Executive Office Building, and relocating the White House telephone staff.

Building Security at Federal Facilities

The \$200.5 million requested for the General Services Administration would support improved building security at Federal facilities throughout the United States. However, the House Committee provided only the funds related to security and replacement space associated with Federal buildings in New York City (\$87.4 million). The House is urged to include the additional \$113.1 million requested to ensure increased levels of security is provided at Federal facilities nationwide.

In addition, the Administration is concerned that the bill does not provide funding for security upgrades at the main National Archives Building in Washington, D.C. This building houses the Charters of Freedom (Declaration of Independence, Constitution, and Bill of Rights) and receives no security support from the Federal Protective Service.

Potential Amendments

The Administration strongly supports House floor adoption of the "Walsh Amendment" that

would provide additional resources for response and recovery efforts related to the New York City area within the agreed upon limits for disaster recovery spending. The Administration is committed to addressing the acute and unprecedented needs of the New York City area. The Walsh Amendment would address all currently identified needs.

The President's senior advisors would recommend that the President veto any bill that provides discretionary spending beyond these agreed upon limits. We look forward to working with the Congress to ensure that the highest priority needs are met in an expeditious manner.

FY 2002 Defense Appropriations Bill

We commend the Committee's full support of the President's requested military pay raise to increase the quality of life for America's military service members. The Administration also appreciates the Committee's inclusion of funding for changes to the military pay table and to reduce the out-of-pocket housing expenditures of service members. Additionally, the increases in the Defense Health Program will ensure that the promise of TRICARE for Life is adequately funded.

While the bill provides important funding for many of the Administration's highest priorities, the Committee bill provides approximately \$2 billion less for Department of Defense (DoD) programs in FY 2002 than requested by the President. These program reductions would make it harder for the Department to counter 21st Century threats, such as terrorism, and to carry out the needed transformation of America's armed forces and defense posture. The following sections describe the Administration's specific concerns with the bill.

Missile Defense

The bill would reduce the Administration's request of \$8.3 billion for missile defense programs by \$441 million. The bill cuts more than half of the funding requested by the Administration to study sea- and space-based boost phase defense technologies, and reduces the funding requested for sea-based mid-course defenses. The bill would also severely reduce the funding requested for the Space-Based Laser program, relegating this program to laboratory research. The bill would eliminate the ability to field a contingency THAAD capability in FY 2005 and cut risk reduction activities. In addition, the bill would terminate the Space-Based Infrared System (SBIRS)- Low acquisition program, thereby seriously undermining the Administration's missile defense program and delaying our ability to defend against a broad array of missile threats until beyond 2011. Finally, the bill would impose restrictions on management flexibility and burdensome reporting requirements precluding the ability to effectively manage missile defense programs.

The President is committed to the development and deployment of effective missile defenses to protect the United States, our forces, and our friends and allies as soon as possible. Missile defense remains one of the Administration's highest priorities. The Administration strongly opposes the bill's reductions in funding for key missile defense programs and the termination of the SBIRS-Low acquisition program and urges Congress to restore funding to the level requested by the President.

Operation and Maintenance Reductions

Directly and through its general provisions, the House reductions netted over \$1.7 billion from Operation and Maintenance (O&M) accounts and these reductions could impair military operations. In addition, large portions of these reductions were based on unrealistic assumptions about achievable FY 2002 savings -- primarily from reductions in consultant services, headquarters staff, and A-76 studies. The Department is moving as quickly as possible toward achieving savings in areas such as these, but success will take time and congressional support. Therefore, the real effect of the House's deep O&M reductions would be to undercut the President's plan to address readiness shortfalls and competitive sourcing, and reduce funds available for military operations and support. Reduced funding for A-76 studies would eliminate flexibility DoD must have to seek the public or private sources best able to help it meet current threats. Also, section 8093 of the bill would not achieve \$200 million in foreign currency fluctuations savings assumed by the Congress.

Fuel Funding

The Committee has underfunded the Administration's request for fuel by not providing the \$427 million requested to restore the cash balances depleted when the Working Capital Fund sold fuel to the Services in FY 2001 at budgeted prices lower than actual costs. In addition, the House has reduced O&M accounts to reflect reduced fuel prices. The President's request already reflects some of the recent reduction in fuel prices. Given the marked volatility in fuel markets and emerging world events, assuming stability of fuel prices at the low point of the last several years is imprudent and threatens to affect operations. Finally, the bill would reduce funding for increased costs associated with electrical and natural gas utilities. These proposed reductions would put DoD's ability to purchase needed fuel and utilities at risk.

Military Personnel Funding

The Administration objects to the reduction in the military personnel accounts by over \$750 million because such a reduction could undermine the ability of the Services to reach their personnel goals at this critical time. The Department plans to achieve its military personnel goals and has put in place a "stop loss" initiative to prevent key military personnel from leaving the service during this critical time. The Department should be given every opportunity and encouragement to achieve these needed personnel levels, rather than being subjected to duplicative reductions for manpower variance and projected under execution.

Pentagon Renovation Cost Adjustment

The Administration disagrees with the Committee's reduction to the Operations and Maintenance payments for the Pentagon Renovation Maintenance Revolving Fund. These funds are critical to continue Pentagon operations and the on-going renovation project and are entirely separate from those related to the September 11th terrorist attack. This House cut would leave the Pentagon with no funding for security, utilities, cleaning, trash removal, and other support functions.

Depot Maintenance Backlog

To improve weapon system readiness, there has been a major effort to increase depot maintenance in ships, aviation, and ground combat systems. To that end, DoD proposed a readiness initiative that would have increased the amount of maintenance performed by allowing competitions between private contractors and public depots for workload that

exceeded the capacity of the public depots. The Administration is disappointed that the Congress did not approve this proposal, thereby impeding efforts to reduce backlog. While the Department shares the Committee's concern regarding excess levels of funded depot maintenance backlog and is working closely with the General Accounting Office to identify more efficiency improvements, it is premature to reduce this vital readiness support program.

DoD-Veterans Affairs CHOICE

The Administration is disappointed that the Committee bill does not include the Administration's proposal for military retirees to choose annually between DoD and VA for health care. This CHOICE initiative would enhance continuity of care, while optimizing resources by preventing duplication of benefits.

Trident D-5 Missile Life Extension

The Administration urges restoration of the \$25 million reduction to its \$144 million request for life extension programs for the Trident II D-5. This reduction would require the termination of four of the five life extension programs and necessitate very costly requalification actions in the future. Shutting down these programs would incur termination costs of \$15 million to \$20 million, and re-qualification and procurement re-start costs could reach \$150 million.

Other Funding Issues

The reduction to the Overseas Contingency Operations Transfer Fund may impede the scheduled use of Army Reservists on upcoming Bosnia peacekeeping rotations. This in turn, would downgrade the combat readiness (and delay the availability) of active component divisions that would otherwise be available for rapid deployment to ongoing operations or emergent crises.

The Committee failed to fund fully the development of new technologies of importance to DoD by taking numerous reductions to Air Force satellite procurement and development programs. For example, the \$54 million reduction to the interagency National Polar-Orbiting Operational Environmental Satellite System would increase the risk that these satellites would not be available to back up the last launches of the current generation of Department of Commerce and DoD weather satellites. In addition, the \$50 million cut to the Global Hawk program is objectionable given how critical it is to our ongoing efforts to combat terrorism.

The Committee bill would significantly decrease the funding for the DD21 program, making the current technology development programs unexecutable. The technologies being developed with this funding are critical to future ship programs.

The reductions in the Navy-Marine Corps Intranet and the Department's information systems would impede important information technology progress.

The Administration is pleased that the House recognizes the dangers inherent in the use of incremental funding and advanced appropriations in shipbuilding programs. Such practices would limit the flexibility of both the Administration and the Congress to make rational

decisions in future shipbuilding programs while not actually increasing shipbuilding rates.

Unrequested Funding for Procurement and Earmarks

Much of the additional funding in the Committee bill is for unrequested procurement and R&D programs, funding that comes at the expense of more urgent needs. The President's FY 2002 request represents a balanced approach to modernization. The Committee bill would add funding for several unrequested items such as \$820 million for a DDG-51 destroyer; \$131 million for eight Army Blackhawk helicopters; \$7.5 million for a UC-35 support aircraft for the Navy; \$85 million for a C-40 aeromedical evacuation aircraft for the Air Force; \$150 million for procurement and modification of a B-767 aircraft to serve as a "testbed" for the Air Force's next generation tanker; and \$190 million for procurement and modification of a B-767 aircraft to serve as a "testbed" for a potential JSTARS replacement platform; \$10 million for security locks; and \$50 million above the Administration's request for networking of Intelligence Surveillance and Reconnaissance assets.

The Administration opposes the earmarking of funds for un-reviewed science and technology programs. In particular, the diversion of funds and medical management resources to a large number of medical research programs not related to national security, dilutes the focus away from the defense mission, including protecting troops in the field from chemical and biological threats.

Title IX

The House bill would create a new Title IX for Counter Terrorism and Defense Against Weapons of Mass Destruction. The Administration believes that splitting existing accounts and thereby creating a separate title would establish an artificial distinction between ongoing defense programs and efforts to counter the immediate threats. The Administration recognizes the intent of this legislation and the need to reexamine the relational functions of DoD with the Office of Homeland Security. DoD has already instituted a counter terrorism effort comprised of its most senior officials to review its activities. The immediate effect of this legislation would be to fragment programs and disrupt these ongoing activities. The Administration urges the Congress to appropriate the amounts and authorities, included within Title IX, to existing accounts within the bill and delete Title IX.

[Ed. Note: Copied from <http://www.whitehouse.gov/omb/legislative/sap/107-1/HR3338-h.html> and converted to PDF without change on August 13, 2006]