



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

August 2, 2006
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5631 – Department of Defense Appropriations Bill, FY 2007

(Sponsors: Cochran (R), Mississippi; Byrd (D), West Virginia)

The Administration commends the Senate Committee for reporting this bill in a timely manner and urges its swift enactment.

The President's FY 2007 Budget holds total discretionary spending to \$872.8 billion and reduces non-security discretionary spending below last year's level. The Budget funds priorities and meets these limits by proposing to reform, reduce, or terminate 141 lower-priority programs. The Administration urges Congress to fund priority needs while holding spending to these limits, and objects to the use of gimmicks to meet those limits. The Administration looks forward to working with Congress to adopt the President's proposals to cut wasteful spending in order to maintain fiscal discipline to protect the American taxpayer and sustain a strong economy.

The Administration opposed the \$4 billion reduction in funds for the Department of Defense (DOD) in the House bill and strongly opposes the \$9 billion reduction included in this bill. The impact of any additional reductions beyond the House level will result in the degradation of the military's force readiness. The Administration strongly opposes the shifting of base funding requirements to supplemental bills as a way to increase non-security related discretionary funding. If the President is presented with a final DOD appropriations bill that cuts in excess of \$4 billion from the Department of Defense to shift funds to non-security spending, his senior advisors would recommend that he veto that bill.

The Administration appreciates the Committee's support for the President's proposed 2.2 percent across-the-board pay raise with additional targeted increases for warrant officers and enlisted troops. The Administration also appreciates the Committee's support for fully funding Cooperative Threat Reduction, and for providing initial funding for wartime operations, maintenance, and re-equipping needs. In addition, the Administration thanks the Committee for providing general transfer authority of \$4.5 billion to provide increased flexibility, but urges support for the full \$5 billion request.

The Administration would like to take this opportunity to share additional views regarding the Committee's version of the bill.

Bridge Funding for the War on Terror

The Administration welcomes the Committee's strong support for our troops fighting the War on Terror. The funds provided are critical to continuing operations in Iraq and Afghanistan

while keeping our military well equipped and ready to respond when necessary. The Administration urges the Senate to fully support the procurement request, provide full funding for the Afghan and Iraqi Security Forces to enable them to assume full responsibility for their own security and fully fund our Coalition Support request to ensure timely reimbursement of critical coalition partners.

The Administration supports the Senate's acceleration of \$13.1 billion into the Bridge that would have been requested next year in the spring supplemental, bringing the total level of Bridge funding in this bill to \$63.1 billion. This action will facilitate the needed resetting of the armed forces to continue their important missions and provide needed certainty to military planners. This additional funding is necessary to accelerate planned efforts to repair or replace war-damaged equipment. In particular these additional funds address Army and Marine Corps depot and unit maintenance requirements and procurement needs, including Abrams, Bradley, Apache and other helicopters, tactical vehicles, trailers, generators and bridging equipment.

The Administration, however, opposes the inclusion of funding in the Bridge that does not support direct Global War on Terror related requirements, and strongly opposes the inclusion of base funding needs in the Bridge.

Reductions to Operation and Maintenance and Personnel Accounts

The Administration strongly opposes the Committee's reductions to Operation and Maintenance (O&M) programs. Over half of the total reductions in the bill are to O&M accounts, seriously compromising programs and likely accelerating the need for supplemental funds in 2007. Unrequested reductions in this area would degrade readiness.

The Administration also urges the Senate to restore the \$600 million reduction to the President's personnel request to avoid shortfalls in pay accounts.

Defense Health

The Administration urges Congress to consider the President's proposals to encourage the use of cost-effective medical care for military retirees under age 65 using TRICARE. Support for these proposals would ensure that resources are focused on core missions and that high-quality health care is sustainable in the future. Rejecting these changes will create a shortfall of over \$700 million in FY 2007 and \$11.2 billion from FY 2007 to FY 2011. The failure to address rising health care costs today will threaten the Department's long-term ability to transform and fund future military capabilities.

Reductions in Weapons Systems

The Administration objects to the Committee's reductions of \$3.1 billion from the Department's procurement programs and another \$700 million from research and development programs. The Administration strongly opposes: the \$1.3 billion decrease in Joint Strike Fighter production; reductions and reallocations to shipbuilding that reduce T-AKE and Littoral Combat Ship procurements; a \$243 million reduction to the Army's Future Combat System; elimination of all funding (\$127 million) requested for the Conventional Trident Modification; and reductions to the VH-71 Presidential Helicopter program. The Administration also opposes the

Committee's significant reductions to the Global Positioning System, Air Force replacement tanker aircraft, the Navy's Unmanned Combat Air Vehicle, and numerous space programs including two especially critical ones: Transformational Satellite and Space Based Radar. Finally, while the Administration appreciates the Senate support for missile defense funding, the Administration opposes Senate reallocations of funding from Command, Control, Battle Management, and Communications, interceptors, system core functions, technology and space-based sensors, which would significantly delay these efforts. These program changes and reductions would divert funds from the Department's transformation efforts and prevent fielding of critical new weapon systems in a timely manner.

Unrequested Additions

The Administration objects to numerous unrequested acquisition programs in the bill, including the Joint Strike Fighter alternative engine and an oceanographic research vessel. The Administration also opposes the shift in the mix of F/A-18 and EF-18 production aircraft. These unrequested and redirected funds would hamper the Department's long-term modernization efforts.

Earmarks

The Administration objects to excessive unjustified earmarks in the bill that are funded by making reductions in high priority spending such as Research, Development, Testing and Evaluation programs. The Administration encourages the Senate to eliminate unjustified earmarks for lower priority items and restore requested funding for priority programs and projects.

Classified Programs

The Administration opposes the \$38 million reduction to the Intelligence Community Management Account, which will hinder the Director of National Intelligence's ability to complete the stand-up of his office and implement the Intelligence Reform and Terrorism Prevention Act of 2004. The Administration looks forward to reviewing the classified annex and working with Congress to address any concerns on classified programs as the legislative process moves forward.

Competitive Sourcing

The Administration would strongly object if an amendment were adopted that precludes the Army from implementing a contract for base support services at Walter Reed Army Medical Center. This contract, awarded after a public-private competition conducted in accordance with OMB Circular A-76 and applicable law, represents the most efficient provision of these services and will save taxpayers more than \$30 million over 5 years.

The Administration also opposes requirements in section 8014(a)(3) that would unnecessarily subject private sector bidders to intrusive data requirements concerning the provision of health benefits to their employees. While well intentioned, this provision ultimately undermines efficiencies in private health plans and provides another disincentive for the private sector to participate in DOD's competitions. The Administration urges the Senate to amend the

health care provisions to acknowledge that contractors provide health benefits to their employees using a variety of efficient tools, such as health savings accounts. The Administration also strongly urges the Senate to modify section 8014(a)(2) so that the Department may take full advantage of OMB Circular A-76 policies to achieve the best value for the taxpayer.

Constitutional Concerns

Recognizing the Executive Branch's constitutional entitlement to communicate with Congress, section 8012 of the bill should be amended to make explicit that it does not prevent officers or employees of the United States from communicating to Congress through the proper official channels requests for action on legislation or appropriations matters.

Section 8054(a) calls for notice to six congressional committees before any transfer of defense articles or services, other than intelligence services, to another nation or an international organization for international peacekeeping, peace enforcement, or humanitarian assistance operations. While the Administration recognizes that notice can be provided in most circumstances, situations may arise, especially in wartime, in which the President must act promptly under his constitutional authority as Commander in Chief. Accordingly, this provision should be amended to call for giving prior notice unless, in the exercise of this authority, the President directs otherwise.

Section 8094, relating to the integration of foreign intelligence information, should be amended to make clear that its provisions do not interfere with the President's constitutional authority as Commander in Chief for the conduct of intelligence operations.

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