



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

THE DIRECTOR

May 22, 2018

The Honorable Rodney Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Frelinghuysen:

On May 16, 2018, the Transportation, Housing and Urban Development, and Related Agencies Subcommittee considered the fiscal year (FY) 2019 Transportation, Housing and Urban Development, and Related Agencies Appropriations bill. Overall, according to information provided in the Subcommittee press release, the bill increases funding by about \$23.8 billion, or nearly 50 percent above the FY 2019 Budget request. The Administration appreciates the opportunity to weigh in on this bill.

The President's FY 2019 Budget request, as amended, accounts for the Bipartisan Budget Act of 2018 (BBA's) new Defense and non-Defense discretionary spending caps for FY 2019. As we have noted in previous letters as well as the FY 2019 Budget, the Administration strongly supports the overall defense levels included in the BBA. However, given the Nation's long-term fiscal constraints and the need to right-size the Federal Government, the Administration does not support spending at the BBA's non-Defense caps.

The Administration appreciates that the Subcommittee bill includes funding for critical priorities, including:

- **Infrastructure Investments.** The Administration appreciates the Subcommittee's major investments in funding the revitalization of American infrastructure, in ways consistent with the Administration's Infrastructure Initiative, through strong support for additional investment in the Nation's highway, transit, rail, and aviation infrastructure. However, the Administration urges the Congress to support a more modern approach to investing in the Nation's infrastructure that would facilitate more efficient investment. A key principle of the President's Infrastructure Initiative is to incentivize stronger partnerships between the Federal Government and non-Federal stakeholders in order to leverage a broader range of financial resources for infrastructure investment, encourage more non-Federal leadership, and remove barriers that can impede the ability of non-Federal parties to move forward with investments in infrastructure that they deem priorities. The Administration believes the bill could do more to promote this principle and would like to work with the Committee to include provisions that support this goal.

- FAST Act Programs. The bill provides the Department of Transportation (DOT) \$57 billion for highway, highway safety, and transit programs, as authorized for the fourth year of the Fixing America's Surface Transportation (FAST) Act, which will allow States and localities to continue their planned surface transportation investments.

However, the bill underfunds key investments in critical areas supported in the FY 2019 Budget request and/or includes funding that the Administration believes is not in line with the overall restraint in non-Defense spending reflected in the FY 2019 Budget request, including:

- Capital Investment Grants (CIG). The bill provides \$2.6 billion, \$1.6 billion above the FY 2019 Budget request, which proposed to wind down the CIG program by not entering into any additional grant agreements. The Administration believes the additional resources provided above the request in the bill would be better utilized by being allocated to the state of good repair transit formula program.
- BUILD Grants. While the Administration appreciates the support for the National Infrastructure Investments ("BUILD Grants") program, the Administration believes that overly prescriptive project selection requirements and set asides dilute the Department of Transportation's ability to select the most meritorious grantees.
- Essential Air Service (EAS). The Administration is disappointed that the Subcommittee did not include the Administration's proposals to reform the EAS program at DOT. EAS is in dire need of reform, as total EAS spending has increased 600 percent since 1996, and its per-passenger subsidy costs are \$238 on average, with a high of \$778 per passenger. The Administration believes it is essential to comprehensively reform the EAS program, and to finally bring spiraling costs under control while ensuring that truly remote communities receive air service.
- Amtrak. The Administration believes that there are real opportunities to make Amtrak a more efficient passenger rail provider, we are encouraged by the performance of Amtrak executive leadership in identifying efficiencies, and we encourage the Congress to support those efforts. Unfortunately, the bill continues the status quo, providing Amtrak funding equal to the FY 2018 enacted level for all its operations, including its highly inefficient long-distance trains.
- Magnetic Levitation (Maglev) Deployment Program. The Administration does not support appropriating funds to technology-specific programs or projects; rather, projects like Maglev should compete for funding on a technology-neutral basis in DOT's existing rail grant programs.
- Rental Assistance Programs. The bill provides \$42.3 billion, \$6.5 billion above the FY 2019 Budget request, for rental assistance programs at the Department of Housing and Urban Development (HUD). The Administration is disappointed that the bill does not reflect the Budget's proposed legislative reforms to Housing Choice

Vouchers, Project-Based Rental Assistance, Public Housing, and Housing for the Elderly and Persons with Disabilities, and that it continues to reinforce the status quo. In April 2018, the Administration released its Making Affordable Housing Work Act, assisted families a simpler and more transparent set of rent structures to reduce administrative burden, incentivize work, and place HUD's rental assistance programs on a more fiscally-sustainable path.

- HUD Block Grants. The bill continues to provide funding for the Community Development Block Grant (CDBG) and HOME Investment Partnerships programs at HUD, both programs which the Administration has proposed to eliminate in the FY 2019 Budget request. The CDBG program is not well-targeted to the most distressed areas and has not demonstrated a measurable impact on communities. The Administration also believes that State and local governments are better positioned than the HOME program to comprehensively address the unique market challenges, local policies, and impediments that lead to housing affordability problems.
- Other HUD Grant Programs. The bill funds the Choice Neighborhoods program at \$150 million rather than eliminating it as proposed in the FY 2019 Budget request. The Administration recognizes that there is a greater role for State and local governments in addressing community revitalization needs. The bill also provides \$755 million for the Native American Housing Block Grant, which is \$155 million above the 2019 Budget request. This program is unauthorized and the increased funding should be redirected to other Administration priorities.

Also, the Administration objects to language that requires the Federal Aviation Administration (FAA) to use an almost 30-year-old cost-benefit analysis, based on almost 40-year-old safety studies, to manage the contract tower program. This program can be a cost effective method of providing tower service, but only if the FAA is allowed to use the latest safety and cost-benefit data to make informed decisions.

In addition, the FY 2019 Budget request reflects the Administration's desire to bring more Federal spending under the caps reached in the 2018 BBA by limiting the use of changes in mandatory programs, or CHIMPs, that generate no net outlay savings to offset real increases in discretionary spending. While there are programmatic reasons for some CHIMPs, most of them simply push the availability of funding from one year to the next, or rescind money from a program that no one actually expected would be spent. The Administration encourages the Committee to achieve its discretionary topline while minimizing the use of CHIMPs.

As the Committee takes up the Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittee bill, the Administration looks forward to working with you to address these concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Mick Mulvaney", with a horizontal line drawn through the middle of the signature.

Mick Mulvaney
Director

cc: The Honorable Mario Diaz-Balart
The Honorable David Price

Identical Letter Sent to the Honorable Nita Lowey